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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2196

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RAMIFICATIONS OF HIGH ENERGY CONSUMPTION RATES EXAMINED

Sofia IKONOMICHESKA MISUL in Bulgarian No 5, 1981 (signed to press 22 Jan 81) pp 53-62

[Article by Petko Pavlov: "International Socialist Economic Integration and the Solution of the Fuel and Energy Problem in the Bulgarian People's Republic"]

[Text] Providing for fuel and energy needs is one of the factors in the development of manufacturing industry and in stable rates of development for the economy. This explains the significance of research on questions regarding the development of Bulgaria's fuel and energy complex up to now and especially in prospect, including the role of international socialist economic integration in its improvement.

The fuel and energy sectors in our country were at an extremely low level before the socialist revolution. Thus in 1939 Bulgaria produced 2.2 million tons of coal, 266 million kilowatt-hours of electric energy and 4,800 tons of coke. The energy-source structure was primitive too. Hence when we talk about the development of energetics in our country, we have in mind the energetics created after the socialist revolution and closely linked with economic cooperation and the integration of production among CEMA-member countries.

Economic, scientific and technical cooperation with the CEMA countries, and mainly with the USSR, are of great significance in all phases of the creation and development of Bulgaria's fuel and energy complex--geological exploration, scientific research and planning, the devising of technologies, the provision of machinery and energy sources, personnel training, mastery of production etc.

The production of energy and fuel in our country has developed at an exceptionally high rate since the revolution (Table 1).

Despite the comparatively high rate of development of the fuel and energy sectors they cannot fully satisfy our country's energy and fuel needs. Needs outstrip production manyfold for which reason imports of the basic types of fuels have rapidly increased. Imports' share of the total consumption thereof has varied as follows: coal (including anthracite) from 0 in 1960 to 93 percent in 1970 and 96 percent in 1978; coking coal 0, 84 and 91 percent respectively; crude oil 6, 90 and 99 percent; natural gas 0, 0, 99 percent.[1] Imports (mainly from CEMA-member countries) satisfy our country's main coal, petroleum and natural-gas needs.

Table 1

PRODUCTION OF ELECTRIC ENERGY AND BASIC TYPES OF FUEL

1					
2 Електроенергия, млрд. квтч	0,7	4,7	19,5	25,2	31,5
3 Каменни въглища (вкл. антрацит), млн. т всяко	172	571	397	330	272
4 Кафяви каменни въглища (вкл. лигнит), млн. т всяко	5,1	18,4	28,9	27,5	25,5
5 Природен и попътен газ, млн. куб. м	—	—	474	111	32,3

Source: "K 30-Letiyu Obrazovaniya SEV, Narodnoye Khozyaystvo Stran-Chlenov SEV, Statisticheskiy Sbornik" [On the 30th Anniversary of the Formation of CEMA, The National Economy of CEMA-Member Countries, Collection of Statistics], Moscow, 1979, pp 21, 93

Key:

1. Types of electric energy
2. Electric energy, 000,000,000 kwhr
3. Coal (including anthracite), 000 net tons
4. Brown coal (including lignite), 000,000 net tons
5. Natural and casing-head gas, 000,000 cubic meters

The production of brown coal and lignite has developed on a comparatively wider scale in our country, but in recent five-year plans even this has remained at almost the same low-quality level which continues to grow worse. This explains the trend towards a decline of its role in the overall coal resources balance (recalculated in comparison fuel 7000 kilocalories). The share of the total coal resources balance represented by our own production declined from 67 percent in 1970 to 49 percent in 1978, and if we include coking coal in the balance, this share declines still more.

Electric power engineering has developed at a comparatively high rate in our country. The high rate has been made possible mainly through the rapid development of thermoelectric power engineering (including TETs's [thermoelectric power plants] operating on imported fuel) and, in recent years, of AETs's [atomic power plants].[2]

Energy and fuel consumption has grown at a rapid rate since the socialist revolution due to the development of the fuel and energy sectors in the country and mainly due to the increase of imports. Thus the average annual rate of growth in the consumption of primary energy (overall) in our country during the past 18 years (1960-1978) is 9.4 percent, whereas for other CEMA-member countries during the same period this index is, respectively, for Hungary 4.9 percent, for the GDR 2.1 percent, for Poland 4.6 percent, for Romania 7.4 percent, for Czechoslovakia 4.1 percent. The average for these six countries is 4.5 percent, i.e., almost half that of the Bulgarian People's Republic.

What are the more important factors leading to this growth of consumption? What are the positive and negative aspects of this process?

The factors which explain the growth of energy and fuel consumption can tentatively be divided into two groups: the first group the growth of national income, which, other conditions remaining equal, explains the growth of energy and fuel consumption; the second group the primary energy requirements to produce a unit of national income, namely its energy-intensiveness.

The average annual rate of growth of national income in our country broken down by five-year plans is characterized by the following data (in percentages): 1951-1970 9.3, 1961-1965 6.7, 1966-1970 8.8, 1971-1975 7.8, 1976-1979 6.2.[3] These average annual rates of growth in the national income of the Bulgarian People's Republic are higher than the average rates for the community. These comparatively high rates are one of the factors in the growth of our power and fuel consumption during this period.

In analyzing the effect of the rate of growth of national income on the consumption of primary energy from the viewpoint of the efficiency of social production and rate of economic growth, the ratio between the growth of energy consumption and the growth of national income is of great significance. If identical, these rates show that production (as far as energy consumption is concerned) is taking place by virtue of a proportional increase in the consumption of primary energy sources. Differences between the rates may characterize two opposed trends, respectively: first, given an outstripping rate of growth of national income (or gross social product), a trend towards the intensification of production and, accordingly, a decline in the energy-intensiveness of national income;[4] second, the opposite trend, which characterizes the extensive type of reproduction as far as energy consumption is concerned and, accordingly, causes an increase in the energy-intensiveness of national income.

In investigating the questions of the energy-intensiveness of national income, definite interest attaches to a comparison of the levels and dynamics of the expenditure of individual energy sources and materials per unit of national income. The consumption, for example, of electric energy, petroleum and rolled ferrous metals per unit of national income in the European CEMA-member countries, broken down by years, is characterized by the data presented in Table 2.

The calculations presented below enable us to draw the following more important conclusions:

the expenditure of electric energy, petroleum and rolled ferrous metals per unit of national income in the Bulgarian People's Republic has increased at a high rate in recent decades. The rates in our country are appreciably higher than those in the other European CEMA-member countries;

a trend towards a rise in the expenditure of energy and metal respectively per unit of national income persisted in our country after 1970 as well, whereas for almost all the other countries there were clear signs of a trend towards a decline or a halt in the expenditure of energy and raw materials per unit of national income;

as regards the level of consumption of electric energy, petroleum and rolled ferrous metals per unit of national income, not only did Bulgaria lessen the great differences in comparison with the other countries after 1960, but in 1977 came significantly closer to, and even outran a number of CEMA countries in the consumption of energy sources and metals per unit of national income. The level of petroleum consumption in our country is especially high. If we take the expenditure of petroleum per ruble of national income in Bulgaria in 1977 as equal to 1, then in the other European CEMA-member countries it will be, respectively: Hungary 0.80, GDR 0.65, Poland 0.38, Romania 0.83, Czechoslovakia 0.79, USSR 1.23,[5] i.e., we have a higher expenditure of petroleum per unit of national income than all the European CEMA-member countries with the exception of the USSR. These questions take on special significance in comparative analysis considering the fact that our country has the lowest self-sufficiency in energy sources of the European CEMA-member countries.

Table 2

CONSUMPTION OF ELECTRIC ENERGY, PETROLEUM AND ROLLED FERROUS METALS PER RUBLE OF NATIONAL INCOME IN EUROPEAN CEMA-MEMBER COUNTRIES

1 Страна	2 Электроэнергия, квт. ч.			3 Нефть, г			4 Прокат из черных металлов, г		
	1960	1970	1977	1960	1970	1977	1960	1970	1977
5 НРБ	1,0	1,8	2,1	53	722	860	155	214	222
6 ГДР	2,5	2,8	2,7	124	431	560	280	282	250
7 УНР	1,5	1,9	1,9	474	632	690	258	200	206
8 ПНР	1,9	2,3	2,2	88	264	326	286	314	217
9 СРР	1,1	2,0	1,8	1600	980	716	246	350	266
10 СССР	2,1	2,6	2,8	920	1020	1060	298	288	242
11 ЧССР	1,8	2,8	2,8	202	550	685	366	346	314

Source: "Toplivno-Syr'yevaya Problema v Usloviyakh Sotsialisticheskoy Integratsii" [Fuel and Energy Problem under Conditions of Socialist Integration], Moscow, Nauka, 1979, p 6.

Key:

1. Countries
2. Electric energy, kwhr
3. Petroleum, g
4. Rolled ferrous metals, g
5. Bulgaria
6. GDR
7. Hungary
8. Poland
9. Romania
10. USSR
11. Czechoslovakia

The main reasons for the increase and the comparatively high energy-intensiveness of national income in Bulgaria are, in our opinion, the following:

First, the structure of industry; its nonadaptation to the state of supply, to conditions and expenditures for meeting needs of energy sources and raw materials, including the forecasting of changes in these conditions; underestimation of the problems of providing resources of raw materials and energy as a limiting factor in structure policy, especially with the established energy-intensive structure of industry such as ours is at present.

When we talk about the structure of industry, we must evaluate not only the development of the energy-intensive sectors (for example, the chemical industry, ferrous and nonferrous metallurgy etc.), but also their intrasectorial structure. The problem is not just that we are forcing, for example, the development of petrochemistry or ferrous metallurgy, but that we are developing mainly heavy chemistry and the production of low-quality rolled ferrous metal products which are highly energy- and materials-intensive, while under the conditions of international socialist economic integration there is the opportunity for us to develop fine chemistry, the plastics manufacturing industry, the production of high-quality rolled and other ferrous metal products etc. which have a significantly lower requirement of raw materials and energy per unit of national income.

The imperfect intrasectorial structure and the low technological level of production can explain, for example, the fact that the expenditure of electric energy in the chemical industry in 1975 was higher than the average expenditure for industry--in Czechoslovakia and Poland 1.5-1.6 times and in Bulgaria 2.8 times; the analogous index for ferrous metallurgy is, respectively, in Poland 1.4 times, in the USSR 2.1 times and in Bulgaria 2.4 times.[6]

Second, the overexpenditure of energy and fuel per unit of output, the unfavorable expenditure-to-output ratios as compared with the other European CEMA-member countries.

A comparison of certain expenditure-to-output ratios in our country with those in the other European CEMA countries in 1978 shows the following results: expenditure of comparison fuel to produce 1 kwhr of electric energy at a public-utility thermoelectric power plant in Bulgaria is 394 g, in Hungary 363, in Poland 360, in the USSR 313 g; expenditure of dry skip coke to produce a ton of cast iron is, respectively, 678 kg, 651, 569 (charged coke), 515, and in Czechoslovakia 506 kg; expenditure of comparison fuel to produce 1 ton of acceptable open-hearth steel in Bulgaria is 263 kg, in Poland 208, in the USSR 142, in Hungary 136 kg; expenditure of electric energy to produce 1 ton of finished rolled ferrous metal products in Bulgaria is 162 kwr, in Poland 152, in Czechoslovakia 144, in Hungary 123, in the USSR 110 kwhr etc.[7] If we compare the expenditure-to-output ratios in our country with the corresponding ratios in the developed capitalist countries, analogous--even less favorable--results for Bulgaria will be obtained.[8]

Third, the unsatisfactory technical level and quality of some of the energy-intensive goods produced in our country (chemical products, ferrous and nonferrous metals etc.), which explains the greater expenditure of these materials and intermediate products

per unit of output and, accordingly, the higher energy-intensiveness of the products of our manufacturing industry. Thus, some of our machine-building products are 5-15 percent more materials-intensive than those produced in the industrially developed countries.

Fourth, the higher energy-intensiveness of exported goods than of imported goods, which is an indirect (hidden) export of energy and fuel and, accordingly, increased energy expenditure per unit of our national income.

Investigation of indirect exports or imports of energy and their influence upon the energy-intensiveness of national income requires the use of a balance sheet of intersectorial relations, which, of course, goes beyond the purposes of the present article. But even a routine analysis of the foreign-trade flows in certain partial calculations can give us a certain idea of this influence.

If we compare, for example, the prices at which our country exports some energy-intensive materials and intermediate products with the prices at which we import the same in 1978 (according to the author's calculations with the price of the imported goods equaling 1), the price of the exported goods will be as follows: ingot steel 0.54, rolled ferrous metal products 0.69 (including section steel 0.85, sheet steel 0.71, tubes 0.49, cold-rolled strip 0.29), ferrous metals and alloys 0.50, plastics and synthetic resins 0.78. If we do these calculations solely for the imports and exports of the developed capitalist countries, the results will be still more unfavorable.[9]

The aforecited ratios show that we are a kind of net exporter of the energy and raw materials incorporated in cheaper exported goods, and importers of science-intensive (less energy-intensive) expensive goods. This is indirect export of energy and, accordingly, raises the energy requirement per unit of our country's national income.

Worthy of attention is the attempt of a number of countries to export as few energy-intensive goods as possible and import as many as possible, thus putting into practice a long-term policy of expanding national energy consumption through structural changes in foreign trade-flows. Such a policy is implemented not only by small, highly developed European capitalist countries which have little self-sufficiency in energy sources, but also by such countries as the United States.[10]

Analysis of the trends in energy consumption and the energy requirement per unit of national income in our country is of exceptionally great theoretical and practical importance not only for clarification of the reasons for the growth of the energy-intensiveness of our national income and some of the difficulties in providing for energy-source needs in recent years, but mainly for the devising of scientifically founded and realistic measures and ways for overcoming these difficulties in the long term. Of great importance in this area will be the use of the opportunities given us by international socialist economic integration, including participation in the DTsPS [Dulgosrochnata tseleva programa za sutrudnichestvo; Long-Term Specifically Targeted Program of Cooperation], to provide the economically substantiated needs of the CEMA-member countries for energy, fuel and raw materials up to 1990.

What with the limited reserves of conventional fuels at the disposal of the Bulgarian People's Republic,[11] exceptional importance for solution of the energy problem

will attach in future as well to our participation in the integration measures included in the DTsPS that will help maintain the existing level of consumption and increase fuel and energy resources in the long term. This participation of our country must develop along the following lines:

First, improvement in the utilization of existing fuel and energy resources--solid types of fuel (including low-calorie coal, extraction of petroleum from oil-bearing strata--as well as of water resources for the production of electric energy and, accordingly, increasing electric energy's share of our country's fuel and energy resources balance etc.

Eventual working of the Dobrudzha coal bed, where significant coal reserves have been found, will be of great significance for our economy. For the purpose of coordination on questions of bringing it into production a permanent study group of Bulgarian and Soviet specialists was set up which started to work according to an approved program as of the beginning of 1977.[12]

The favorable solution of the question of working the Dobrudzha coal bed, albeit in the more distant future, will help raise our country's supply of energy sources and improve the structure of industrial coal reserves. At the same time, however, experience thus far (comprehensive utilization of Kremikovtsi oron ore etc.) shows that the construction of coal enterprises must be preceded by the solution of the basic technical and economic problems in its operation, including environmental protection etc. Otherwise, the start of its operation may not only not contribute to an improvement of the structure and a rise in the efficiency of our fuel and energy resources balance, but even give rise to a number of additional difficulties in our economy.

An important area for improvement in the utilization of proved reserves of energy resources is a rise in the coefficients of petroleum extraction from oil-bearing strata. The significance of this area is explained by the fact that even with the use of modern machinery and technology the coefficient of oil extraction from oil-bearing strata fluctuates in a wide range (from 15-20 to 50-60 percent of the geological reserves) depending on the character of the strata and the physicochemical properties of the oil. In the USSR, with measures extensively taken to increase oil extraction from oil-bearing strata the average coefficient is 40-44 percent.[13]

Raising the coefficient of oil extraction from the depths of the earth is of more limited significance for Bulgaria which extracts comparatively small amounts of oil, but this does not preclude the possibility of using this potential reserve.

Second, further development and improvement of the structure of electric energy production through the development of atomic power production. It is anticipated that atomic power plants' share of total electric energy production in our country will rise from 10.1 percent in 1975 and about 20 percent in 1980 to about 40 percent in 1990. Parallel with this, the possibilities of producing thermal energy by atomic power stations are being studied.[14]

The development of atomic power production is of great significance not only for the development and improvement of the structure of electric energy production, but also for the improvement of the structure of the country's overall fuel and energy

resources balance, especially when we bear in mind that hitherto it has been improved principally by increasing the proportion of petroleum, which is becoming extremely scarce now and will to a still greater degree in the future. Besides this, the growth of atomic power production in the future may enable us to replace some scarce heat sources.

Third, the wider inclusion in economic circulation of renewable and additional sources of energy—geothermal, solar, wind energy, the use of bituminous schists and lignites, the production of artificial liquid and gaseous fuel from coal etc.

In estimating the great significance of multilateral cooperation for bringing new and additional energy sources more intensively into economic circulation, it must be noted that the part they will play in the fuel and energy resources balances of the CEMA-member countries in the period up to 1990 will be limited. For this reason we must not during this period expect significant change in the structure of our country's fuel and energy resources balance by virtue of new and additional energy sources.

Fourth, improvement in the forms of mutually advantageous economic cooperation with the developing countries with a view to wider utilization of the oil and gas resources in these states etc.

If, however, we make an analysis of the integration measures aimed at raising energy and fuel production and consumption at present and up to 1985 in comparison with the preceding periods (with the exception of the development of atomic power production), a certain lag is most generally discernible. Seeking a solution of the energy problem mainly by increasing the use of one's own energy resources can in a number of cases lead to an unfounded rise in the capital-, materials- and labor-intensiveness of energy and fuel production, which will adversely affect the efficiency of the economy. That is why the question of a joint solution of the energy problem within the CEMA framework, including the coordination of policy in this area and the pooling of material and financial resources, must be one of our countries' principal goals in the future.

If we proceed on the assumption of limited possibilities for maintaining high rates of increase in production and imports, as well as the necessity of intensifying and raising the efficiency of fuel and energy consumption, a basic course for the solution of the energy problem must, in our opinion, be the economic use of energy and fuels, a reduction of the energy expenditure per unit of national income by virtue of the following more important factors:

First, changing the structure of the economy from the viewpoint of cutting energy and fuel consumption, reducing the energy-intensiveness of production. An important problem in this area is the problem of the rates of development of industrial sectors which have an energy expenditure per unit of output significantly higher than the average for industry. Such are the chemical industry, ferrous and nonferrous metallurgy etc.

The expenditure of electric and thermal energy per unit of output in 1978 in the chemical and rubber industry was 2.15 times, and in ferrous metallurgy 2.49 times, as high as the average for industry. The electric energy consumed per 100 leva of

total industrial output was as follows (in kilowatt-hours): industry average 92, including ferrous metallurgy (including ore extraction) 250, chemical and rubber industry 216, construction materials industry 149.[15]

The rates of development of--and the relative share of industry represented by--chemistry, metallurgy and other energy-intensive production processes are factors affecting the energy-intensiveness of industrial production and the expenditure of energy and fuel per unit of national income. These problems take on special significance not only because of the difficulties in providing for our country's long-term energy and fuel needs, but also because of the fact that a number of questions regarding the development of ferrous metallurgy, petrochemistry and some other sectors are being decided at the present time. These decisions will significantly affect not only the energy-intensiveness and efficiency of metallurgical and chemical production, but also the energy-intensiveness and efficiency of the entire economy. Therefore, questions regarding the redirection of material, labor, financial and other resources away from the construction of new projects into the reconstruction and modernization of existing capacity, especially in such energy-intensive sectors as ferrous metallurgy, the chemical industry etc., are of great significance.

Reconstruction and modernization will, to a greater degree than new construction, contribute to the following: an intensification of the production and consumption of metals and chemicals in our country; a rise in the productivity of labor in chemical and metallurgical plants;[16] an improvement in the use of existing capacity and a reduction in the ratios of material and energy expenditures per unit of output; the bringing about of a higher degree of processing of metals, petrochemicals and other raw materials, a corresponding decrease in energy- and materials-intensiveness and a rise in the efficiency of the consumption and export of chemicals and metals;[17] a saving of investment and foreign-exchange funds, a solution of environmental protection problems etc.

An important course to be pursued in order to reduce the energy-intensiveness of production in our industry is improvement of the intrasectorial structure of production, and especially the development of technological specialization in the metallurgical and chemistry industry within the framework of CEMA, putting into practice the principle of bringing energy-intensive types of production processes (or production stages) closer to the sources of energy. Great possibilities along this line are offered us by certain proposals of the USSR, for example: the construction on their territory, by the joint efforts of interested CEMA-member countries, of a large-scale metallurgical plant based on the Kursk Magnetic Anomaly, with the countries participating in this construction project each to receive cast steel slabs and plants to be constructed in them with an incomplete metallurgical cycle for rolling capacity only; the supplying of ammonia, methanol, polyvinyl chloride and polyethylene by the Soviet Union to interested countries in return for less energy-intensive goods such as dyes and intermediate products, chemical plant protectants, textile auxiliary materials, chemical additives for polymers, fine plastics etc.[18] Participation in these integration measures would create the objective possibility in future of our not developing energy-intensive production processes in metallurgy (cast iron and steel production), but only rolling capacity, as well as less energy-intensive types of chemical production processes.

Second, cutting down the ratios of energy and fuel expenditure per unit of output.

Cutting down machinery-to-output ratios by the reconstruction, modernization and improvement of existing equipment and manufacturing processes is of special significance for our country due to the fact that Bulgarian industry, as we have already emphasized, has expenditure-to-output ratios considerably less advantageous than those in the developed socialist and capitalist countries. Moreover, these measures require relatively smaller expenditures and shorter implementation periods. Of great significance in this area, especially for the longer term, will be Bulgaria's participation in the measures envisaged in the DTaPS for the creation of new progressive technologies and equipment for energy-intensive production processes, transportation, municipal and domestic services etc.

Third, cutting down the losses of fuel during its transportation, storage, loading-and-unloading operations and use, including seeing to leak-tightness of pipelines, the creation of improved loading-and-unloading machinery and instruments for monitoring the condition of fuel in storage tanks. The development of cooperation among CEMA-member countries in the development and introduction of additives for liquid fuel types that will assure their more complete combustion, as well as motor oil additives, improvement of the supply organization etc.[19]

Fourth, use of the secondary energy resources of industrial enterprises. Solving these problems requires specific technical and organizational conditions. What is necessary above all is intensified economic research and solution of the questions: Which of the technically possible utilizations of secondary energy resources is economically advisable? What is the efficiency of using different types of secondary energy resources from the viewpoint of an inventory thereof and the sequence for bringing them into production etc.? Of great importance in this connection is cooperation among the CEMA-member countries within the framework of the CEMA Committee for Material and Technical Supply in order to accomplish the package of measures and proposals for the rational and economic utilization of material resources.

Improving the utilization of energy and fuels and cutting down the energy-intensiveness of production help solve the resources-balance problems involved not only in meeting current and long-term energy and fuel needs, but also in raising the efficiency of social production. According to calculations made in the USSR, expenditures for implementing measures to save energy resources are two to three times lower than the expenditures for an equivalent increase of energy and fuel production. In addition, more rational use of nonrenewable natural energy resources is made possible. Questions of environmental protection etc. are solved better, too.[20]

Solving the energy problem qua one of the limiting factors of economic growth will depend in great measure on the extent to which we solve the questions of improving energy and fuel utilization and cutting down the energy-intensiveness of Bulgaria's national income, interalia on the basis of strengthening our participation in socialist economic integration.

FOOTNOTES

1. "K 30-Letiyu Obrazovaniya SEV, Narodnoye Khozyzystvo Stran-Chlenov SEV.--Statisticheskiy Sbornik" [On the Thirtieth Anniversary of the Formation of CEMA. The National Economy of the CEMA-Member Countries. Collection of Statistics], Moscow, 1979, pp 21, 93.

2. See N. Todoriev, "Participation of CEMA-Member Countries in the Development of the Power Complex of the Bulgarian People's Republic," EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV [Economic Cooperation of CEMA-Member Countries], No 2, pp 73-77.

3. "Narodnoye Khozyaystvo Stran-Chlenov SEV v 1979 g." [National Economy of CEMA-Member Countries in 1970], Moscow, 1980, p 20.

4. For example, comparison of the growth in total energy consumption with the growth in gross national product in the developed countries during the 1961-1976 period shows us the following results (growth of gross national product = 1): Total for member countries of the Organization for Economic Cooperation and Development (OECD), of which the Western European capitalist countries, the United States, Canada, Japan, Australia and New Zealand are members 0.97; including the European Economic Community (EEC) 0.95); for the United States 0.97; for Japan 0.93, (P. S. Neporozhniy and K. D. Lavrenko, "Problemy Zarubezhnoy Energetiki.—Energetika Mira" [Problems in Foreign Power Production], Moscow, Energiya, 1979, p 5).

5. Calculated according to the data of Table 2.

6. Ye. Vorob'yev and B. Kheyfets, "Otraslevaya Struktura Khozyaystva Stran SEV i Nauchno-Tekhnicheskiy Progress" [Sectorial Structure of the Economy of CEMA Countries and Scientific and Technical Progress], Moscow, Nauka, 1979, pp 85-86.

7. "Narodnoye Khozyaystvo Stran-Chlenov SEV v 1978 godu.--Statisticheskiy Sbornik" [The National Economy of CEMA-Member Countries in 1978—Collection of Statistics], Moscow, 1979, pp 225-231.

8. For example, the expenditure of coke to produce 1 ton of cast iron in Bulgaria in 1978 was 678 kg, while in some developed capitalist countries it was, respectively, as follows: Belgium 523 kg, Sweden 508, France 492, Luxemburg 487, FRG 486, Austria 463, Japan 429, Holland 428 kg/t. (European Economic Commission, "Rynok Produktov Chernoy Metallurgii v 1978 godu" [Market for Ferrous Metallurgical Products in 1978], United Nations, New York, 1979, Table 16).

9. The ratios will be, respectively: rolled ferrous metals 0.49, nonferrous metals and alloys 0.12, plastics and synthetic resins 0.49 etc.

10. A. Kotlobay, V. Zanadvorov and V. Khutorskiy, "Hidden Imports of Energy into the United States: Calculations and Results," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA [World Economics and International Relations], 1977, No 3, pp 127-131.

11. Bulgarian per capita reserves of conventional fuels are eight times less than world reserves and nearly 50 times less than the average reserves of CEMA-member countries (N. Todoriev, "Report to the 14th Session of the National Assembly," OTECHESTVEN FRONT [Fatherland Front], 29 October 1980.

12. N. Todoriev, "The Participation of CEMA-Member Countries in the Development of Bulgaria's Energy Complex," EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, 1979, No 2, p 74.

13. CEMA Secretariat, "Sotrudnichestvo Stran-Chlenov SEV v Toplivnoenergetichesk-kikh i Syr'yevykh Otraslyakh Promyshlennosti" [The Cooperation of CEMA-Member Countries in Fuel-and-Energy and Raw-Materials Sectors of Industry], Moscow, 1978, pp 34-35.

14. N. Todoriev, "The Participation of CEMA-Member Countries in the Development of Bulgaria's Energy Complex," EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, 1979, No 2, p 75.

15. Calculated according to data in "Razshireno Sotsialisticheskoto Vuzproizvodstvo v NRB" [Expanded Socialist Reproduction in the Bulgarian People's Republic], KESSI [Committee for Integrated Social Information System], 1979, pp 236-237; "Statisticheski Godishnik NRB" [Statistical Yearbook of the Bulgarian People's Republic], 1979, p 146.

16. Production of the basic types of output per worker in shops of the metallurgical plants in our country as compared with those in the USSR in 1977 is characterized by the following data (production per worker in the USSR = 1): cast iron 0.25, coke 0.23, open-hearth steel 0.24, rolled products 0.54, tubes 0.65 (calculated according to data in Informstal' [expansion unknown; possibly Steel Information Bureau], Appendix to Technical and Economic Survey "Chernaya Metallurgiya Stran-Chlenov SEV i SFRYu v 1978 g" [Ferrous Metallurgy of CEMA-Member Countries and the Socialist Federal Republic of Yugoslavia in 1978], Moscow, 1979, pp 5-6.

17. Of interest to us in this area is the experience of Hungary. By 1990 the production of rolled ferrous metal products is expected to increase about 25 percent over 1978, while the share of steel products of high-quality and alloyed steel is expected to double. The volume of exports of rolled ferrous metal products to capitalist countries will hardly increase in physical terms, but in value will increase significantly as a result of the change of product line and the quality of exported metallurgical products. (IMOSI [expansion unknown], Information Center, VUNSHNOIKONOMICHESKA INFORMATSIYA (DULGOSROCHNI PROGNOZI) [Foreign Economic Information (Long-Term Forecasts)], 18 May 1979, p 173.

18. "Kompleksna Programa za Po-Natatushno Zadulbochavane i Usuvurshenstvuvane na Sutrudnichestvoto i za Razvitie na Sotsialisticheskata Ikonomicheska Integratsiya na Stranite-Chlenki na SIV" [Comprehensive Program for Further Expansion and Improvement of Cooperation and for Development of Socialist Economic Integration of CEMA-Member Countries], Sofia, Partizdat, 1971, p 89; EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, 1976, No 4, p 13.

19. N. Martynov, OB"YEDINYAYA USILIYA V RAZVITII MATERIAL'NO-TEKHNICHESKOGO SOTRUDNICHESTVA STRAN-CHLENOV SEV [Uniting Efforts in the Development of Material and Technical Cooperation of CEMA-Member Countries], 1979, No 2, pp 34-38;

Yu. A. Pekshev, "Dolgosrochnyye Tselevyye Programmy Sotrudnicheatva Stran-Chlenov SEV" [Long-Term Specifically Targeted Program of Cooperation of CEMA-Member Countries], Moscow, Nauka, 1980, pp 83-87.

20. V. Kleshchev et al., "Toplivno-Energeticheskiy Kompleks—Baza Razvitiya Narodnogo Khozyaystva SSSR" [Fuel and Energy Complex the Basis for the Development of the National Economy of the USSR], Moscow, Znaniya, 1980, p 60.

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MINISTER ANALYZES FINANCIAL POLICIES FOR SIXTH FIVE-YEAR PLAN

Budapest PENZUGYI SZEMLE in Hungarian No 8-9, 1981 pp 581-588

[Article by Dr. Istvan Hetenyi: "Concerning the Financial Policy of the Sixth Five-Year Plan"]

[Text] Financial questions are arousing ever increasing interest but we rarely have an opportunity to conduct a dialogue about practical or theoretical questions concerning financial policy at a professional forum. In general, however, there is increasing need for a dialogue in the development of economic policy. The adoption of the Sixth Five-Year Plan was preceded by a number of debates. Despite this there is usually a little more said from the podium at such exchanges; the exchange' character is not fully developed.

Our conference can build on the fact that the Sixth Five-Year Plan was recently adopted; as part of this we worked out financial policy in relative detail, some parts of it in various forms, and the chief thesis of it have been published as part of a law. It is favorable that the Sixth Five-Year Plan has the character of saying more than heretofore about policies, about the intentions of economic guidance including how it wants to solve or realize problems. That is to say it is not exclusively a prescription or centric plan; it contains a balance of "what" and "how."

The fact that there is an approved plan relieves me of the obligation of reporting on financial policy in a comprehensive way. I will deal only with some of the chief questions. In the course of this I would like to say a few words about the economic processes of the past year, about how we should evaluate them from the viewpoint of financial policy. This is an important question because the October 1977 resolution of the Central Committee, which dealt with the strategy of economic development and of transforming the economic structure, and the December 1978 resolution, which defined concrete guidelines, were, perhaps, realized for the first time in 1980 in a complex manner and on a broad scale. It is not simply that the prescriptions of the plan were adapted to these guidelines but rather that in 1980 we took a very big step toward the development of a price and financial regulating system which, in my opinion, embodies to a very large degree the regulatory requirements of the Sixth Five-Year Plan period.

I will stress a few questions which are worth debating because, fortunately, this conference is taking place at a time when the sixth five-year plans of the enterprises are not yet entirely finished. The enterprises also have already formulated

guiding principles but the debates of the conference can still offer aid to the preparation of the enterprise sixth five-year plans and of the financial chapters therein. The period ahead will produce tasks and action programs for those working in the budgetary sphere also. At the same time, in one respect I will greatly limit what I have to say; I will not deal with the financial aspects of standard of living policy or social policy. Let us stick with management, whether it be enterprise or budgetary management.

The financial policy guiding principles designate tasks and intentions, and if we talk about these intentions we must first of all have a correct judgment of our situation. This is true for enterprise planning also. I feel that in rather many areas enterprise planning for the sixth five-year plan period shows this weakness, that there has not been everywhere a basic survey of the real situation of the enterprise. (The market situation of the enterprise, its competitiveness situation, how it meets the efficiency requirement, and from this viewpoint, is it on an upward path or is it threatened by the danger of slipping.)

The year 1980 is the base year of the five-year plan--insofar as it is correct to speak of a yearly base. Our economy can be evaluated only as a process and not statically. If we look at last year as part of a process many positive features can be shown. If we compare it to 1979 then two main achievements must be evaluated very positively:

-the strengthening of the economic balance, more narrowly of the foreign trade balance; and,

-the stabilization of the standard of living.

This is a success and progress as compared to 1979. The fact that we achieved an improvement in the foreign trade balance not for one but for 2 years running is a reassuring beginning and cannot be regarded merely as luck or chance. I regard it as progress that we made substantial changes in regulation, not only in scale but in the system too. The work is not perfect, but there has been a substantial change primarily in price and financial regulation, strengthening the normative elements. Obviously there is need for adjustments, for refining the system; we must strive to broaden its effective sphere. We did all this in such a way that the transition--such as the first quarter processes or the first, second and third phases of the price corrections--took place, if not with complete success, at least without shocks which seem superfluous; practice in 1980 did not go beyond the permissible unevenness and disturbance.

If we look at 1980 as part of a process then the question arises: Did we accomplish our unavoidable task in improving the economic balance? We cannot say yet, but at least we can speak of a not bad beginning. I am convinced that the guiding organs and the enterprises proved capable of learning. We now do business more constructively than at the beginning of 1979. This too is progress. What was unsatisfactory in 1980, and what we must achieve in the Sixth Five-Year Plan, is to realize growth and a strengthening of the balance at the same time. Our economy did not grow in 1980. I deliberately do not say that it did not develop, because I am convinced that there was devlopment! But the absence of growth indicates a problem. It is not a problem because we are pursuing growth but rather because we must think of two things. The frst is that, unfortunately, the external conditions for economic development do not promise to improve in the future. The capitalist market situation, the world money market situation and a few phenomena within CEMA as well point to

hard, even increasingly hard, conditions. The problem today is that we cannot measure improvement simply in relation to the past. We must see if we can keep up with changing conditions, or anticipate them, or get ahead of them. What was enough yesterday is too little today and what is satisfactory today will not meet the needs of tomorrow! The question of growth is also significant because we cannot cover a permanent balance plus a stable standard of living by reducing accumulation forever. I consider the reduction in accumulation in 1980 to be positive in the given situation, it helped strengthen the economic balance, but naturally we cannot live on this throughout a five-year plan.

We should not make a global judgment of the fact that we did not achieve growth in 1980. One not rarely hears the opinion that since the economy did not grow the foreign trade balance improved because and only because internal use decreased. Consequently, the improvement which has been achieved thus far in the foreign economic balance was exclusively due to limiting distribution. I feel that this view is not correct. It may be true in the balance sense but it is not true in the economic sense. We did many calculations in the thirtieth year of the planned economy on how a cutback in internal use improves the balance of payments. In general, we got the result that--ceteris paribus--only the smaller fraction of the savings can be realized in improving the foreign trade balance. If the two processes are of equal size today, if they balance one another out completely, then how could there have been a reduction in use together with structural changes?! And there has been structural improvement, as is shown by the increase in capitalist export, because the 16 percent increment, as measured in dollars, is not small. Nor is it a matter of no importance that the terms of trade improved in 1980; and this is not simply the unexpected gift of the world market. It is a reflection of improving enterprise work and was accompanied by cutbacks or reductions, by changes up and down, in a number of areas. These are those new phenomena which must be strengthened.

There is another scruple based on the fact that in 1980 enterprise profits were the size planned by the balances of the people's economy whereas production was smaller than planned. The question arises: Isn't there some laxity in regulation? I admit that ther is some laxity in connection with price generation and some supports. In a few cases we overestimated the justification of the demand for preferences. We must do everything to reduce the exceptions deviating from the regulators, exceptions which prove unjustified. But since the net national product increased by almost 5 percent at current prices while profit decreased by 2.7 percent and the centralized part of this increased by 1.9 percent, we did succeed in reducing withdrawals outside of the profit tax and we reduced supports even more. It is significant progress that four-fifths of the supports are linked to final use and the great majority are normative. These are favorable phenomena. But it really is thought provoking that--if we except the agricultural producer cooperatives--there were virtually no deficit enterprises in the country, the financial situation of the enterprises (liquidity) is outstanding, etc. Not one of us can believe that the efficiency of every enterprise today meets the actual requirements. Here, primarily, is where we find the weakness or laxity of price and financial regulation! Still, as a whole, it can be said that the initial conversion progressed further in 1980; the present regulator system and the Sixth Five-Year Plan point out a definite path. I would like to emphasize this because it is frequently said that "there is very great uncertainty." I say definitely that what we have set down in the Sixth Five-Year Plan and in financial policy shows where we must go. Certainly there is much uncertainty on the internal and external market and in a few other respects as well. But frequently those who complain of it are uncertain of themselves. The path is

there; one need know only how to follow it. Szecheny said of the Hungarians: "They know how to create a thing, but they do not know how to maintain it." So this is the most difficult question today, to apply our present regulatory principles more consistently year by year, and not less consistently. This is an extraordinarily difficult task, but we can give ourselves no other goal. It is not enough to hold the position won, because if we do not go forward we will slide backward. Constantly new and progressive steps are needed just to stay at that level of competitiveness where we are today, not to speak of moving on.

In addition to the frameworks of the plan I would like to emphasize the following tasks in financial policy:

-The financial regulators should express the changes in requirements in every period and although we are much criticized for the frequent changes in regulators I must stress that a delay in making changes is just as much a mistake and crime as running ahead;

-We must ensure in financial policy that there by sufficient centralized income for structure policy and social policy (of course, we should not imagine structure policy to consist of state money only);

-We should do all this in such a way as to strengthen the incentive force of the financial system. This cannot be done without differentiation; it cannot be done without demanding a more uniform standard.

Financial policy should not be regarded as some sort of specialized question. It is part of economic policy and part of the plan. It would not be good for the financial experts to feel that they were only financial experts, whether in a state organ or an enterprise. There is a state and an enterprise organizational breakdown, but the view that the shoemaker should stick to his last is very harmful here.

The role of financial policy is growing because the role of commodity-money relationships is growing. To the extent that the sphere of commodity-money relationships expands the role of financial policy will strengthen and financial tools will have a greater effect and influence on economic processes. It follows from this that the role of the financial cadres broadens also, at least in regard to prices, markets, costs and the organization of management, without which one cannot do financial work.

The Sixth Five-Year Plan clearly defines those directions and frameworks within which we work. I will refer here only to a few aspects which are important from the viewpoint of financial policy. The decision making responsibility and possibility of the enterprises in developments is increasing; this involves a certain self-financing, including the role of credit and the credit sphere. The share of the budget, in regard to income, must be increased and it may be useful to reduce the ratio of state financing in reagard to final use. We must improve the budgetary balance, the balance of state finances. This is not a fiscal approach but it is necessary because without this there will be no money for enterprise structure policy and it will not be possible to ensure, in the national income, that balance of production and use which will make it possible to improve the foreign trade balance.

The plan points the way. In the first place we must improve the balance of supports and withdrawals, because the role of the budget in consumption cannot be decreased. The role of budgetary financing can be reduced in regard to accumulation but this is not a sum sufficient to entirely order state finances. The development of the past 10 years shows that the balance of withdrawals and supports has developed unfavorably. This is a structure policy question also, because what is behind it is that we are taking from those who manage well and giving to those who manage badly.

Let me make special mention of a few problems. Within the frameworks of the five-year plan we are counting on an annual 7 percent income growth, with no increase in the volume of investments, with social allotments increasing proportional to the income growth of the people's economy and with the budgetary organs able to increase their expenditures by an average annual 7 percent also. Within these frameworks how can be encourage efficiency and a transformation of the structure? I feel that this question is very much a matter for financial policy, but it is not only that. It is a question for guidance, leadership, and cadre work as well. Financial decrees and regulators do not live by themselves, they have an effect on the actions of people. We should see that they have an effect on the actions of sensible people, stimulating sensible people to sensible actions. What is most essential is that we ensure what comrade Kadar said: "He who works will prosper." Applying this to enterprises I would like to say that our chief principle is: "He who is efficient will prosper." In this area there are rather many charges against financial regulation. Many frequently say that it is not certain that he who is prospering is efficient. This is partly true. We should strive to put an end to the causes of the criticism.

One target of the criticism is the base view, that is the situation of incentive. The customary charge against us is that he who develops is not he who is efficient but rather primarily he who created a low base. This, of course, is nothing new for even in the Bible story there is greater joy over the Lamb that was found than over those never lost. In connection with the base view we commissioned the Financial Research Institute to make a broad study. According to this study it is not possible to avoid a base; value judgments are always given by comparison. If someone is good, better than the others, this is a base. But various types of base are possible. They used to say that the trouble with us is that we look only at how much one has developed in comparison with the past. But another base is possible and many demand the application of, for example, what one has to show in comparison with the average. Foreign competitiveness is also a base. A comparison with the past need not be the chief standard. It might be better to make the standard profitability as compared to the average. The study of the Financial Research Institute also showed convincingly that the problem is not that there is a base--this is unavoidable--but rather that we should fight against the "base view" where--because this is where it is harmful--a comparison to the base encourages irrational acts, such as setting apart reserves or striving for apparent achievements.

We have already taken steps against the irrational base view and irrational interest, for example in the generation of the R fund, rules for use of price risk funds and reserve funds, putting in order deficit enterprises or enterprises short on funds and in income regulation. We built in a number of such elements this year also and we are ready to take all further steps which do not lead to a relaxation of the requirements. We must be open to the new, but not to laxity. Thinking of the last stage of enterprise planning I would like to mention something. Profitability is not enough for the good management of an enterprise. One frequently hears that there are a lot of profitable ideas, why not provide credit for them automatically,

if possible up to 100 percent since they do not have their own resources available. In addition to the efficiency requirement a dynamically interpreted enterprise financial balance is also essential. Even profitable enterprises must avoid the danger of undertaking too much.

It is indispensable that we go further toward uniformity and normativity. Price policy is in first place. If we do not make progress toward realizing the price principles then it will be very difficult to make progress elsewhere. We must gradually reduce the ad hoc preferences built into the prices, not those preferences which serve efficiency. In the absence of this it will not be possible to carry out sensible financial regulation.

The next question is income regulation, uniformity in taxing profits. We have made much progress in this area also but there is still much to do. I do not want to go into details on this now.

Speaking of supports there is always general agreement that action must be taken, until we talk about individual, concrete cases.

The question arises that there are certain activities which we "must support." I do not deny this, because we are doing it. But I would like to clear up how we understand what it is that we are doing. Some consider it natural that there are supports. They regard supports as the natural and eternal concomitant of certain activities. For example, we "must" support the cement industry and the brick industry. I do not share this view. Such a supports philosophy is harmful because without long-range advantages it decreases the incentive for effective development. If we accept the fact that certain supports are objectively justified then I would certainly add the following stipulations.

1. Certain supports may be justified because we are giving preference to some goal in the plan and the form in which this manifests itself is some sort of support (for example, an investment improving exportability). Many debates come up: Why just exports, why not imports? I see supports to encourage export as natural primarily. There are two questions to be considered:

-He who undertakes export is assuming a greater risk than he who undertakes to replace imports;

-The structural requirement is greater and more guaranteed.

Certain concessions could be given to someone undertaking to replace imports also, but I am not convinced of the correctness of all of them. Replacing existing capitalist import is certainly a structural development, but the risk factor is much smaller and the price generation conditions are not the same, so only a smaller easing is justified here.

We must distinguish this from the case where they ask us to give preferences for developments which will avoid or anticipate imports, saying that if the development is not realized there will be a need for capitalist import. In my opinion preferences should not be given for this because, actually, every development is of this type: It is another question whether the financing system for investments is suitable for the realization of viable proposals.

2. The continual support of certain branches is possible temporarily, if this is tied to a requirement advancing efficient structural change.

3. In the case of every other preference it is more desirable to support the user than to support production.

It is part of financial policy to strengthen the decision sphere, authority and possibilities of the enterprises together with the concomitant enterprise responsibility. He who has the background can make significant decisions. A further development of financial regulation in this direction is justified. The question of investments comes to the fore especially in connection with this theme. Everyone knows that we will not exactly be rolling in investments; in the next 5 years we will invest sabout as much as in the last 5 years. Even so this investment volume is not insignificant; a no small part of the fixed assets can be replaced and significant new developments can be carried out. The value of fixed assets will increase 20-25 percent. It is a favorable aspect that the predetermined nature of the investment process will be smaller than it was in past years and that investment demand in the past 2 years did not exceed the possibilities. But we must avoid a great new surge in enteprise investments. When planning enterprise investments the enterprises should consider together three requirements:

-Developments should be carried out in harmony with their existing and realistically foreseeable resources;

-They should initiate effective investments; and

-The investments should be more market oriented.

Even today investment work is frequently very protracted. We frequently hear that one must prepare an investment for a long time, but this does not necessarily mean many years. In addition the realization is often slow and it is not rare for some developmental idea to be set aside for a time and then taken up again later. It is not certain that every good idea can be put off for the future. Among other things this is what I mean by the market oriented investment concept. I feel that it would be very harmful to investment policy if the investments realized and being realized were not favorable from the viewpoint of market orientation.

Questions connected with foreign trade are part of the question of enterprise decision making and responsibility. Regulation is not in an easy position because we are linked to various markets and the ruble and non-ruble accounting relationships are very different, especially from the viewpoint of financial and price conditions. With our financial policy we want to ensure that we aid our CEMA orientation. This is aided by the fact that we try to realize every international cooperation question primarily with CEMA countries. This is served by plan coordination with the CEMA countries. Adhering to the agreements is our first priority interest and obligation. Financial policy should ensure the appropriate possibilities for an interest in their fulfillment. We have many sorts of tools for this already but since we find that they do not always work with the desired effectiveness we must strengthen them at several points. Progress should be made primarily in coordinating the interest relationships of exporters and importers participating in the exapnsion of foreign trade. Rate of exchange policy is the question mentioned most often when speaking of capitalist market contacts. We have developed such a policy and published the

pertinent provisions. We will conduct a rate of exchange policy which is active, based on improving efficiency and which puts a brake on world market inflation and so, in all probability, it will be midly revaluative. This can be predicted in the enterprise plans and we will try to provide a suitable, flexible freedom of movement for this with rate of exchange insurance, time limit deals and other measures.

Finally, I would like to mention two questions simply to call attention to them.

The adaptability of those enterprises which must realize economic development depends on, among many othe things, the openness shown in organizational questions. We are trying to provide better conditions for this. A development has begun in recent years. I am thinking here of the associations and of the spread of foreign trade righs. We are dealing with new forms of small and medium factories and with a regulatory system for them. We are thinking of aiding more flexible changes in sphere of activity. In addition to all this I would like to emphasize the significance of a development of the internal interest system for large enterprises. It is possible to blame the regulators for many things but there is much flexibility and incentive force realized in the economic regulators, despite all the problems, for larger organizations and only a small part of this gets through the factory gates. This is not satisfactory, there is a backwardness here, although it is true also that not only the leaders of the factories are to blame for this. A role is played by being bound to petty ministerial guidance also.

The other question is cost management. This is not simple and in addition for a long time it was not a fashionable question. In the 1950's there were overhead plans, plans to reduce overhead, comparable production overhead reduction plans, etc., but because of the circumstances these concepts have been disqualified. But overhead itself, as one element of competitiveness, has not been disqualified! Financial workers could do much for this business and they must deal with it not only because energy has become immeasurable more expensive and probably will become even more immeasurable expensive. There can be no plan or production which does not reckon with such cost factors and does not try to avert the consequences of them.

The question of efficiency and of the balance is not only the affair of the managing enterprise sphere so--even if briefly--I would like to emphasize the tasks of the budgetary sphere also. Here also there are questions of efficiency and financial policy, because the budgetary institutions carry out very serious and politically extraordinarily sensitive functions. We have very much to do to call attention to the most important questions and carry out the entire activity in the most rational way. These two questions define the tasks of workers dealing with the higher level budget and with the budgets of institutions too. This is not simply a question of thrift, although we must be thrifty, this is natural. The basic question is: Do the budgetary organizations manage according to the appropriate priorities? The people's economy has priorities--housing, general schools, health affairs--but there are priorities within these too, for example, rational maintenance and the development of organizations capable of integration and efficient management. It is not necessary to shuffle money here and there, money which does not flow freely from the state budget; rather, there should be a joint development with rational organization, rational manpower management and rational utilization of capital. This is where we should concentrate what we call an action program.

The introduction of a new budgetary management system, which is a process lasting several years, is another question. We are at the fist steps of the first phase; the experiences of this will be of interest to the conference.

Finally, let me return to the regulator system introduced in 1980, which I twice called the clear foundation, in many respects, of the regulator system we want to apply in the Sixth Five-Year Plan. This does not mean that we need not think of some rather significant developments. Let us deal with the possibility of a further improvement of regulation. The State Planning Committee also designated a few themes on which we must work, such as:

a. A development of the incentive system, in a broad sense, not only from the technical financial side;

b. Improving the adaptability of the enterprises; how they can react better to changing conditions, and in this connection a study of how to eliminate the braking elements of the base view;

c. Assets flow, capital allocation, financing accumulation, where we intend a great role for various joint actions, associations and joint organizations in which the enterprising spirit is most prominent.

We know that every type of regulation, even that felt to be the best, is realized through human factors, so even the most circumspectly developed regulators are not capable of bringing appropriate results without careful cadre work and leadership work. We must believe that, giving our capabilities greater scope, we will be able to eliminate or avoid the obstacles standing in the way of rational action.

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TRADE UNIONS BECOME MORE ASSERTIVE, WRITER CLAIMS

Budapest NEPSZAVA in Hungarian 3 Oct 81 p 7

[Article by Istvan Fuzesi: ["The Trade Union Expresses Its View"]

[Text] Personnel and cadre policy measures were adopted between the 1 June 1975 and 1 July 1977 appointments (for example, advantages were given to external personnel in appointments of the expense of the senior guard members, and the creation of unjustified jobs, groups and classes) by which workers' morale deteriorated significantly at the Budapest factory site, and because of the regroupings in certain areas an excessive psychological burden was placed on the reduced force.

The above-named masures clearly resulted in a bad plant atmosphere, and caused uncertainty and restlessness among senior guard members.

The activities of the managing director's last 3 months--relatively positive--were reviewed by the KGM [Ministry of Metallurgical and Machine Industries] examiners and by the coordination executive committee. We assume rightfully that at some point of time the negative leadership principles followed in 1975-1976 will again be realized.... Despite the favorable changes which have taken place in the past 3 months, we see the way out only with a new managing direct."

"This excerpt is from the 4 October 1977 issue of the trade union committee's bulletin," says Janos Manhertz, then the vszt [factory trade union committee] and now the uszb- [expansion unknown] secretary of the Budapest factory unit. "The case is an extreme one, to be sure, but perhaps it shows convincingly that the views of the trade union regarding the work of the managers do not remain useless, and when we have sound reason for criticism we do not flinch, no matter who is involved."

Theory and Practice

Thus our subject is the expression of opinion on the work of the managers, for the review of which I asked for the help of three chief stewards. Bela Prim, locksmith and manager of the machine manufacturing group and, as he adds, a shop foreman in his third office, openly expresses doubts:

"It is a bit premature to speak of this. The managers and the trade union activists are only now learning the new forms of partner realtionship. To put it this way, we are tasting our brew, and trying to find the essential points of the realtions."

"In the abovementioned account, the trade union committee sharply expressed its opinion of the manager, and the leading manager at that. Hasn't your basic position changed since then?"

Janos Manhertz replied firmly:

"No! But in the present leadership there is hardly the same area vulnerable to criticism."

Gyorgy Lukacs, the group leader of the design department, adds:

"This is true, but there is still some subject for debate. There wouldn't even be much sense to expressing views on the economic leaders if we could discharge this opportunity with one summary. We are speaking of much more, of jointly judging the situation whch develops in the course of the daily work and which closely affects both sides."

Bela Prim added this to what his colleague said:

"It is from this that one can best learn about what I spoke before. Theory is only a kind of dummy model which can be dressed up with the practical experiences that are filtered through daily."

Agreement and Expression of Opinion

Examples, incidents and stories flow easily from the partners in conversation. Gyorgy Lukacs recall[ed in this manner] a situation which was quite common formerly:

"There are many who know that I am a disputatious sort of person who is not silent when he believes a wrong decision has been made. I have never suffered any harm from this, and I do not think it likely that I will suffer harm in the future either for this reason. It is the following that I proclaim the most often and emphatically: The manager, no matter at what level, should never face the steward, or in my case the chief steward, with an accomplished fact. What am I thinking of? For example, of wage development which causes the greatest problem. This year, too, it has happened that without asking me they gave raises to such people as did not deserve them. Of course, I rejected them, not because I have rights but because honorable workers would rightfully have felt themselves deceived."

Janos Gyorok, the chief steward of meo [department of quality control] kept nodding his head in the affirmative.

"I regard it as this kind of error also when a manager commits himself in some matter where we also have a concern, and does not ask our views first. In such cases, we expect "flexibility" from him, obligatory agreement. I know it is not entirely clear yet to every manager when he must ask for the agreement of the trade union, and when knowledge of our views is enough. It would be best if they learned this as soon as possible so that it will not be necessary to blare the members of the trade union committee together all over the place."

Janos Manhertz reeled the line further:

"It is certain that some managers still have something to learn from the trade union "syllabus." The economic leader of one plant established a higher wage for a new worker than was earned by those working there a long time. Of course, we intervened, and the man did not even know that the agreement of the stewards was necessary in such cases."

"You are the "cream" of the factory trade union who by virtue of your office have communications with the managers. Thus you have every opportunity to form an opinion quickly. That is, you are partners. But what is the situation with the workers? To what extent do they believe that this right to give an opinion really means something? To what extent do they regard the stewards as representatives of their opinions and interests?

Janos Gyorok replied:

"The question is to what extent do the people believe in us, in our rights to express an opinion? We believe that the managers will gradually accept and understand the substantially greater role of the trade union, and its influence in our daily lives. It is we, the officials, who must show that our words and our views carry weight. We cannot expect fast, spectacular developments in the matter; this would be politically naive. In respect to the question regarding the stewards, they are no longer regarded as "rubber stamps." It is true that they are still sought out most frequently in smaller matters. A great deal of work has to be done before all the trade union officials are truly recognized by the voters and the managers alike.

Cannot Dismiss It With the Wave of a Hand

"Let us return to our original subject. What kind of opinions have you formed this year of the work of the managers?'

"As usual, we put together the evaluation reflecting the views of the membership following the managing director's report on the previous year's plan. We here at the Budapest factory unit "got" the director at this place and three of his deputies. We tried to evaluate their work as we saw it."

"How did those affected take it?"

"One of them grumbled a bit, but then admitted we were right."

"When you drafted your opinion, were some stronger points of view expressed?"

It appeared that Janos Gyorok would like to reply more than anyone else to this question.

"We believed that the workers were interested perhaps the most in their relations with the managers, more precisely in the attitudes and styles of the people managing factory life. This is how it was, and therefore this is where we were the sharpest. Whoever the shoe fits, let him try to give less cause for criticism in the future."

"Would a few sentences have such a magic power?"

Three of them started to speak at once in what sounded as the same reply. Finally, they let Gyorgy Lukacs give the reply.

"There is no need for magic. The manager concerned understood himself why he was criticized, but because no one "officially" said anything he ignored it. It was our opinion, or the opinion of the trade union members, that made him confront this error and made him aware that others, too, knew of it. After that, he could no longer dismiss it with a wave of the hand."

6691
CSO: 2500/22

CURRENT ECONOMIC SITUATION REPORTED

Communique of 10 Sep 81

Krakow GAZETA KRAKOWSKA in Polish 10 Sep 81 pp 1, 4

[Text] Agriculture

The digging of potatoes and beets has begun. Harvesting and shipment of second-mown hay is continuing. Pre-sowing and harvest plowings continue.

The sugar campaign has begun at several sugar plants in: Krasnystaw, Rejowiec, Witoszyce, Werbkowice. During the start-up of the Rejowiec Sugar Factory an equipment breakdown resulted in the poisoning of seven employees. After first aid was given, five persons were released and two employees remained in the hospital. Their condition was critical.

Livestock procurements continue to decline. Since the beginning of the year the plan was fulfilled 65 percent, which represents a 24-percent decline compared with a like period last year.

Consumer Market

Purchases of bakery goods continue to decline, especially in rural stores, e.g. by 40 percent in the Rzeszow Voivodship, by 20 percent in the Szczecin Voivodship, and by 10 percent in the Radom Voivodship.

The quality and variety of bakery goods are not improving due to, among other things, the shortage of appropriate varieties of wheat and rye flour.

The demand for wheat flour and groats is declining.

On the other hand, shortages of solid, semisoft, and cottage cheeses persist: the supply satisfies less than 50 percent of the demand.

The supply of detergents and soaps and articles of personal hygiene has not improved.

Cigarette supplies continue to be definitely inadequate.

Construction

In the building materials industry there is a continuing increase in the number of plants with breakdowns and disturbances in production owing to the shortage of raw and other materials and restrictions on electric power and liquid fuel supplies. The shortage of fuels and spare parts results in immobilizing part of the mechanized equipment. Stoppages took place at the Chemobudowa Plant and at the Industrial Installations Enterprise in Krakow, as well as in several enterprises of the Construction Association in Warsaw and at the House-Building Factory in Slupsk.

Communique of 14 Sep 81

Krakow GAZETA KRAKOWSKA in Polish 14 Sep 81 p 4

[Text] Industry

The Lublin Truck Factory discontinued the assembling of Zuk cars owing to the unavailability of brake lines. We used to import from France the tubes for manufacturing these lines.

At the Rosa Luxembourg Electron Tube Plant in Warsaw stoppages occurred in tube assembling owing to the unavailability of glass bulbs.

At the Flax Industry Plant in Zyrardow shortages of sodium chlorite resulted in the stoppage of the fabric bleaching department. The drastic decline in coal inventories threatens to shutdown production at not only this plant but also at two others--Stella and Poldres--which receive their supplies from that plant.

Lack of needles resulted in idling 115 machines at the Lowicz Stockings Industry Plant.

Owing to the limited output of artificial fibers, the output of brown pigment declined by about 60 percent in quantity.

Agriculture

So far potatoes have been harvested from about 20 percent of the area across the nation.

The 8 sugar factories that started operating in the Lublin Voivodship in the last 15 or so days have produced the first batches of sugar.

Consumer Market

In many of the nation's regions, e.g. in the Warsaw City, Chelm, Lodz, Rzeszow, and Zielona Gora voivodships the demand for bakery goods is not dropping. Nevertheless in several regions that demand has slightly declined. The quality of bakery goods still is not improving--this is due to the poor quality of the flour (Zielona Gora and Wroclaw voivodships) as well as to improper processing (Piotrkow Voivodship).

In many voivodships a low supply of detergents can be observed. A consignment of "Fala" detergent powders supplied to the Chelm Voivodship was found to be as much as 40 decagrams short per kg.

The problem of a special allotment of sugar for the nutrition of bees in the fall season still has not been solved.

To improve the supply of matches, provision for their import has been made from the GDR and the USSR.

Communique of 22 Sep 81

Krakow GAZETA KRAKOWSKA in Polish 22 Sep 81 p 5

[Text] Industry

Many enterprises (e.g. those of the machine-building and electrical engineering industries) continue to operate under production constraints. E.g. the Tape Recorders Plant in Lubartow will have to shut off its assembly lines owing to delays in the deliveries of imported shielding leads. The Grodzisk Heater Factory and the Radom Casting Plant have suspended the production of central heaters: daily production losses amount to 2,500 sq m of heat exchanger surfaces.

At the Plytolex Vulcanized Products Plant in Lodz the shutdown of the third shift is under consideration: even at two-shift operation the raw material stocks will last only until the end of this September.

The Doltex Cotton Industry Plant in Bogatynia has been forced by the unavailability of dyestuffs from the Lodz Chemikolor Plant to suspend the production of buffing cloths designed for exports to Japan (valued at 100,000 foreign-exchange zlotys).

At the Syntex Textile Industry Plant in Lowicz the unavailability of needles results in a continuing suspension of the operation of 115 automatic hosiery machines.

In the cement industry, power restrictions are resulting in a production shortfall of as much as 8,000 tons of cement daily.

Transportation

In many cities the number of immobilized vehicles is increasing owing to the shortage of spare parts and tires. E.g. in Warsaw 350 buses and 300 trolleys failed to leave their depots; in Szczecin, 125 buses; and in the Katowice Voivodship, nearly 35 percent of buses. This is causing problems with the on-schedule transportation of people to work places.

Agriculture

The pressure of private farmers for a takeover of land from socialized farms is acquiring various forms. E.g. in the Slupsk Voivodship about 50 percent of farmers who demanded the sale of 1,400 hectares of land from cooperatives and state

farms occupied the building of the Gmina Administration. As a result of negotiations, the voivodship authorities assured a partial realization of the requests of the farmers, provided proper submission procedures are followed. The occupation of the building was discontinued.

Consumer Market

Shortages of staple foodstuffs continue except for sugar. The first deliveries from this year's harvest have resulted in improvements in supply in every voivodship.

To improve the supply situation, the Ministry of Domestic Trade is negotiating with the Bulgarian partner to import about 2,500 tons of canned vegetables and meats for delivery this year.

1386
CSO: 2600/10

INITIAL RESULTS OF JULY LIVESTOCK INVENTORY REPORTED

Warsaw ZYCIE WARSZAWY in Polish 25-26 Jul 81 p 3

[PAP article: "Drop in Farm Animal Population; Preliminary Results of July Farm Inventory for 1981"]

> [Text] As reported by the Central Office of Statistics, the preliminary results of the farm animal inventory conducted by that Office during July 1-7 of this year indicate that in accordance with predictions, the population of these animals dropped in comparison with their count at the end of June 1980.

In agriculture as a whole, cattle population declined 6.7 percent, pigs, 13.3 percent, and sheep, 7.4 percent; in the nonsocialized economy, the drop was smaller, amounting to 3.8, 11 and 5 percent, respectively.

As of June 30th of this year, the cattle population in all of agriculture amounted to 11.8 million, including 5.8 million cows and 2.1 million calves. This indicates a cattle population drop of 850,000, including 200,000 cows, i.e., 3.3 percent, and 350,000 calves, or 14.3 percent. The present herds have the lowest share (18.2 percent) of calves over the last 7 years.

The drop in cattle population on a national scale occurred in all voivodships with the exception of Kalisz and Siedlce, in which an increase of 0.3 percent in relation to last year was noted. Declines below 3 percent occurred in 5 voivodships: Opole, Lomza, Leszno, Suwalki and Radom. The largest declines (of over 10 percent) took place in 10 voivodships: Chelm, Krosno, Przemysl, Zamosc, Bydgoszcz, Torun, Koszalin, Gorzow, Rzeszow, and Zielona Gora.

The pig population in all of agriculture amounted to 18.5 million, including 6.8 million piglets under 3 months, and 2.2 million brood gilts. The decrease in the pig population totaled 2.8 million, as compared with June of last year. The inventory of piglets under 3 months dropped by over 770,000, i.e., 10.2 percent; shoats from 3 to 6 months, by 1.2 million, i.e., 18 percent; and brood gilts, by over 240,000, i.e., 9.9 percent.

The considerably lower decline in brood gilts over April of this year (9.9 percent in June, 11.9 percent in April) and their highest share in the herds over the past 7 years, suggested that the farmers had begun the process of rebuilding the basic pig stock.

The decline in the pig population in June of this year, as compared with last June, took place in all voivodships. The lowest decline (below 5 percent) occurred in 6 voivodships: Lomza, Leszno, Poznan, Walbrzych, Siedlce and Legnica. Very unfavorable changes in pig population, as revealed by a drop of over 30 percent, appeared in the Krosno, Rzeszow, Przemysl and Zamosc voivodships.

In the nonsocialized economy, a weakening of the downward trend both in cattle and in pig populations is observed. This was shown by the lower decline of populations of these animals in June than in April, in comparison with the same periods last year. In cattle, the drop was 3.8 percent in June against 4.3 percent in April, and in pigs it was 11 percent in June, compared with 16.2 percent in April.

The sheep population in agriculture as a whole was 3.9 million, over 300,000 less than at the end of June of last year.

Results of the inventory of farmland areas in use and particular crops will be announced at a later date.

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Preliminary results of the June inventory of farm livestock are not, unfortunately, cause for optimistic forecasts on meat and meat products supplies, not only for this year, but also for next year. The very serious drop in 3-6 months' shoats (1.2 million), in comparison with the same period last year, will mean much lower procurement of pork animals for slaughter in the third and fourth quarters of this year. In turn, the over 770,000 lower population of piglets up to 3 months, will play an important part in decreasing the procurement of pork animals for slaughter in the first half of next year.

The situation in cattle raising and production of beef animals for slaughter is even more difficult. Since the total drop in cattle population was about 850,000, including 350,000 calves, the procurement of beef animals for slaughter next year will be much lower. Furthermore, the low number of cows (the population dropped by 200,000) and brood shoats (which dropped by over 240,000), very seriously reduces the production potential which is indispensable for rebuilding the animal farm stocks.

Under these circumstances, the statements by the Minister of Domestic Trade and Services on the television news report of the 23rd of this month regarding an improvement in pig production appears to have been too optimistic. True, in private farms a halt in the downward trend of animal production and some signs of its expansion, especially in pigs, is being seen, but we will have to wait some time for the results of this. Also, in the socialized farms, in which an increase in animal production has been compelled which exceeded their capabilities, the drop in population not only has not been halted but it continues to intensify.

Even if it were possible in all of agriculture to halt any further decrease in the animal population and immediately utilize all the potential to gradually expand animal production, by utilizing the calves, for example--with the very reduced number of cows and sows no improvement in supplies of pork for the market can be expected earlier than the end of next year; and actually, not until the turn of 1982-1983. And an increase in beef production will not occur until 1984, for those are the cycles of animal production, which cannot be shortened.

9295
CSO: 2600/36

RECURRING PROBLEMS IN ECONOMY HIGHLIGHTED

Lagging Labor Productivity

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1600, 30 Aug 81 pp 23-24

[Article by Stanko Stojiljkovic: "Where We Are Lagging"]

[Text] We have machines like the Swiss, our workers are better educated, but still our productivity is a fraction of theirs. This is not a question for a quiz program, nor is the answer that we work less a sufficient one.

The Institute for Industrial Systems in Novi Sad has investigated this phenomenon and has gathered a great deal of experience from all over the world. In an interview with NIN Dr Dragutin Zelenovic, its director, who is a professor at the School of Engineering, offered us a terse answer to start with: "In the advanced countries those displaced from production by machines and automatic equipment are going into the planning and development sectors; but our people who were workers until yesterday become scribblers."

The subject of our interview removes the burden from the workers: they are the least to blame.

In seeking explanations we will have to penetrate something which is referred to in scholarly language as the production system. Once given its shape, whatever it is, it does not change, only the environment is subject to changes. Over a lengthy period of time, of course, some production systems are replaced by others, but for the sake of discussion we are looking at it the way it is.

The structure of work is changing constantly under the impact of changes in the environment, since there is a need to maintain productivity and economic efficiency. Events on the market compel such developments: Every moment new products are being demanded in small lots. It is at this point that a split occurs: Production systems are rigid, and the environment is urging adaptation.

Man Does Not Qualify

Man is inevitably being squeezed out of production proper. Scholars who are not futurists forecast that by the end of the century only 2 percent of the structure

of labor will be direct labor, the rest will be classified under the heading "indirect." Homo sapiens will not fulfill even the lowest requirements of the modern production process for several reasons: his strength is only 20 watts, which is equivalent to the weakest machine, his reaction time (a tenth of a second) is not good enough, his memory capacity is hopelessly small compared with the computer. Not to mention fatigue, sick leave, and absenteeism.

The direct producers will slowly and inevitably move over into the field of creation (planning and development), where probably not even the machines in science-fiction films will displace them. Another consequence is the growth of past labor.

"Unfortunately, our workers being replaced by the machines go into the office administration," Dr Zelenovic says. "And that is the principal reason why our productivity is lower, why it is not growing, but is dropping relative to the developed world, all the way from the work station to the level of society. What have we ascertained? If we examine the man-machine level, we have the same productivity as Sweden, West Germany and Switzerland, since the modern machines are the same, and our workers are even better educated.

"But already at the level of the factory productivity is two-fifths of what it is in those countries, since we have a high share of indirect labor which is routine and administrative, while in the advanced countries it is mostly represented by R&D work. Thus as we move toward society in general, this gap becomes broader and broader. There are data to the effect that our productivity is even between one-seventh and one-eighth of the productivity in the advanced countries."

A kind of conclusion immediately imposes itself: The principal battle for productivity must be waged for what is referred to as social productivity, and we must investigate why our indirect labor is unproductive rather than insisting on lowering the worker's quota ("which is often done").

World experience confirms that the development of the social services--education, science, health care and social security--has an essential impact on the level of the very process of production, on overall social development, and on the quality of people's life. Research in Norway (covering the period from 1900 to 1955), in Finland (1902-1952) and the United States (1909-1949) shows beyond question that if investments are increased by 1 percentage point, output rises 0.27 percent: if manpower is increased by the same percentage point, the growth of production is 0.72; but if the education of the labor force is improved by 1 percent, output increases 1.5 percent.

Integral Systems Support

Productivity is a worldwide topic. Which accounts for the abundance of research and attempts to find the best solutions. The basic socioeconomic postulates of our economic system facilitate a high level of efficiency in the use of labor, capital and other elements of production. Why is it otherwise in reality?

Dr Dragutin Zelenovic goes on to expound his thesis: The explanation should be sought on the one hand in the relationship between the production system and the environment and on the other in disturbances in the work process.

As shown by research, productivity in the first case is lower, since what is called integral systems support is lacking. That category encompasses money, raw materials, relations within the collective (motivation), maintenance, workplace health and safety, transportation, standards, expansion of the sphere of labor and support of public executive bodies. In the western literature this is referred to as logistics. Put in our own terms: modern systems are useless to us if there is no one to furnish the foreign exchange, the spare parts, the raw materials, the working capital and so on. Without social organization, it has been proven that productivity is no higher in the advanced countries.

This is precisely the reason why half of our factories are operating half-heartedly!

Research of the structure of labor in our industry has shown that the ratio of direct to indirect labor is between 30:70 and 35:65. Wherever technology is on a high level and where the working conditions are satisfactory, productivity is close to that in the advanced countries. Further improvements are possible only by purchasing newer technologies, and the constraints are well known.

The area of indirect labor, researchers of the School of Mechanical Engineering in Kragujevac believe, contains potential for higher productivity. And to a large extent these projects do not require investment capital.

At this point we go into the field of education, which has an important bearing on indirect labor. "We must devise the concept of future occupations," NIN's interviewee observed. "Changes in the share of various activities in the total social product in the moderately developed countries are also indicating to us that we must follow the same paths. The percentages are very illustrative: production 28 percent, transportation 7 percent, trade 9.5 percent, administrative tasks 12 percent, maintenance 9.5, planning 4.5, management 5, tertiary activities 21 percent. The share of tertiary activities is increasing all the time, and this is an area where we are very poor, though a way out is offered through ever higher employment. Machines will be taking over the main production process, and we must therefore seek out opportunities in the tertiary activities."

The Future: Smaller Factories

There are more and more notable people in world science who are arguing the thesis that the future of labor lies in smaller production units. General Electric of England has reduced all factories to a work force of 400. What they have achieved thereby, which we discussed in theoretical terms at the beginning, is that the production system is flexible and adapts more quickly to the environment. Such a system can survive longer and respond to the demands of the market.

Two essential conditions must be fulfilled: machines must be able to take a new product (and the present-day numerically controlled machines are such) and the time for transition to making a new product must not be too long (a few hours, not a few years). If the market wants Stojadins [punning nickname for the Fiat 101, signifying "100 troubles"] and the very next year the Jugo, the transition to the new product must be made without disruption.

Such a product (of course it will not be an automobile factory) has been developed by staff members of the Institute for Industrial Systems for the work organization Majevica. If the foreign exchange is available, the new production system will demonstrate its advantages a year from now.

"Small technological entities make it easier to manage the production process and to make decisions, and that means greater responsiveness to the demands of the environment," says Professor Dragutin Zelenovic.

Persistently Unprofitable Operations

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1603, 20 Sep 81 pp 11-12

[Article by Scepan Rabrenovic: "Losses Are Protected by Law"]

[Text] Perhaps because of the summertime, people were on vacation, perhaps for some other reason, in any case: there has hardly been any true debate about the losses incurred in the economy in the first 6 months of this year. Officials of the Social Accounting Service merely reported how large the losses were in a press conference, and they were barely mentioned in a meeting of a committee of the Yugoslav Assembly. But there were grounds for conducting a fierce debate. This is why: In the first 6 months of this year the economy incurred losses of 30.7 billion dinars, or 84 percent more than in the same period of last year.

What does 30.7 billion dinars amount to? It is truly a great deal when we know that after the year-end statements for last year the economy set aside 181 billion for expanded reproduction. And, of course, it should be mentioned that funds for reproduction at that time were 80 percent greater than the previous year. (This cannot be explained otherwise than by the datum that last year real personal incomes were down about 8 percent and the economy saved money thereby. Incidentally, other forms of expenditure were very high last year.)

The explanation that the debate on losses was overshadowed by the debate on raising the prices of sugar and oil, that we felt this "more keenly," cannot be taken seriously, especially since we know that as a rule losses show the real situation in which an economy finds itself. Thus a debate on losses would provide the most persuasive answer to numerous economic dilemmas, and we certainly would get a clearer idea about the reasons why the economy is in the state it is in. There is nothing that we can or should feel "more keenly" than losses.

There is yet another reason, a very persuasive one, for an all-embracing debate of losses. That is prices. The question runs like this: How is it possible

that losses increase to that extent in a situation when prices rose all of 49 percent? After all, such a high rise of prices was capable of "covering" many things, not only idleness and indifference, but also quite a few of the ambiguities that exist in the system.

So even prices, there it is, have not been omnipotent. It is realistic to assume, then, provided the Federal Executive Council persists in its efforts to prevent prices from rising at the same rate up to the end of the year, and that the losses will be still greater.

The Acrid Smell of Petroleum

Losses in a commodity-money economy like ours (or as it is supposed to be) are nothing strange, but an altogether ordinary phenomenon. It is normal for one enterprise to perform poorly and another one better, but what is unusual is that in our system losses occur for years (getting larger) and yet they are looked upon almost good-naturedly. For instance, the economy showed losses for last year amounting to 19.3 billion dinars. Losses were incurred by 1,682 basic organizations of associated labor employing more than 312,000 workers. The largest losses were incurred last year by the Croatian economy (more than 3.6 billion dinars), by the economy of Bosnia-Hercegovina (more than 3.5 billion dinars) and by that of Vojvodina (more than 3 billion), and they were smallest in Montenegro (646 million dinars).

The distribution of losses this year is similar.

Worst of all is that a fair portion of last year's losses have not been covered. For example, slightly more than 3 billion, or 15.6 percent of total losses, were covered during the compilation and adoption of year-end statements. The rest had to be covered through the procedure of emergency financial rescue. We know, however, that many work organizations have no one to bail them out and the losses remain "uncovered" without fear of "catching cold." In actuality the bookkeeping carries the losses over from year to year.

In the first 6 months of this year the largest losses were shown by the petroleum industry--in an amount greater than 7 billion dinars, or 36 percent of the economy's total losses. After that come the losses of the nonferrous metals industry, the electric power industry, agriculture and the food manufacturing industry, and transportation. Some of these industries were on the list of the losers previously, while some are new.

The losses of the petroleum industry are surprising, but only to the uninformed. For years the petroleum industry has recorded a high growth of income and has been setting aside money for personal incomes (it is at the top even now). The smell of petroleum has been intoxicating and lucrative.

How can it be, then, that the petroleum people have made a mess and covered themselves with losses? We suppose that the most frequent explanation heard will be this: because of differences in rates of exchange. That is, petroleum has been imported at the world rate of exchange, but it has been sold in

Yugoslavia at the domestic rate of exchange. And that the scissors opened up and snipped off those 7 billion dinars.

The Fate of the Railroads and Others

There is some truth in this explanation, but we would err greatly if we took it as the only one. The petroleum industry, it is well known, has quite a bit of unused capacity. It built more facilities than it had petroleum. This year, for example, we will import more than 11 million tons, since consumption is down (having been curtailed by administrative measures among other things). If consumption were at the level of 2 or 3 years ago, we would have to import more than 20 million tons of petroleum. The refineries were planned and prepared for that amount, but at present they are not being fully utilized.

When the price of petroleum derivatives went up this summer, this newspaper argued persuasively that a part of the price rise was also intended to cover the losses of the refineries because they were not operating at full capacity, but it seems that that was not enough.

There are several explanations for the losses of the other sectors of the economy. The most persuasive explanation will be the one that pertains to the stagnation of output. Were we to rely only on statistics, production in this period has been slightly greater than in the same period of last year. However, if we leave aside new facilities and new employment, we come to the conclusion that the "old" economy has in fact been stagnant.

In the case of agriculture and the food manufacturing industry it can be persuasively argued that the losses did result from a reduction of production. Whereas agriculture had a lower growth rate, the food manufacturing industry had to operate at reduced capacity. This explanation would have to be honored even in the case of the nonferrous metals industry. (Even this fall, during planting, there will be quite a few difficulties in providing manufactured fertilizers and spare parts.)

The losses in transportation pertain mostly to the railroad. For years it has had its place reserved on the list of losers. And everyone knows why: because of price policy. That is, in order to help the economy, that is, so that the economy would have cheaper transportation, the prices of transportation on the railroad have been set at a low level, and this has hurt the railroad men. This has been the situation for years, and the railroads have no longer been able to solve this problem on their own, and the public in turn has no money, though now that the price of petroleum has risen, everyone is saying that these problems are not those of the railroads alone.

Price policy, or the policy of primary distribution, has not hurt the railroads alone, but also many other sectors of the economy (producers of raw materials above all), so that it is price policy that can be blamed for a portion of the losses which have occurred. As a matter of fact, on the basis of the present price policy no one has been able to prove that all those who have had losses were performing poorly, nor that all those who did not have losses were performing well. For that reason we have become accustomed to losses as time passed,

we have become accustomed to living with them, and so we have socialized them--they have become the property of all of us and not just of those who incurred them. That is why there have been no bankruptcies of work organizations, not even the absolutely minimal number.

Between Decisions and Motivation

If an analysis were made of the losses, it is certain that we would be unable to get around the reduced motivation of employees in the work organizations of the economy. Real personal incomes have been dropping for 2 successive years. If the economy increased its funds for expanded reproduction last year, mostly at the expense of those personal incomes, it could not be expected to do the same thing again this year. According to official data, in the first 6 months of this year real personal incomes were down about 7 percent. What share do the losses have in that?

The share is not small. Especially when we know that a real drop in personal incomes imposes a leveling mentality.

Along with all this, we know that plans call for appropriations for government and social service expenditures to increase 19 percent this year, but in the first 6 months appropriations for noneconomic activities were up 39 percent over the same period of last year. So, some siphoning did in fact occur.

If an analysis is made of the share of reduced motivation in the losses, it will not be possible to explain everything by the unfair distribution and the drop in real personal incomes, but we will also have to study the share which decision-makers have in the losses. How can motivation be greater in work organizations when we know that the decisions on major investment projects, on prices, on credits, on the pooling of labor and capital and on other matters are made predominantly in sociopolitical communities, bypassing associated labor?

Nor can motivation be stimulated if those incurring the losses are protected by law when it comes to earnings. Let us remember: this April proceedings were followed when the Yugoslav Assembly adopted the Law on Amendment of the Law on Emergency Financial Rescue and Termination of Organizations of Associated Labor, which remains in effect until the end of this year. This law takes a lenient view toward enterprises which show a loss, guarantees them average income and comfort regardless of performance.

7045
CSO: 2800/23

PORT CAPACITIES, FOREIGN EXCHANGE EARNINGS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 3-5 Oct 81 p 2

[Article by Radmila Kcrunovic: "There Are Still Many Loose Connections"]

[Text] The volume of traffic in our seaports, though it has been increasing steadily, is still far short of what it could be in view of their geographic position and distribution on the Adriatic coast and in view of the volume of cargo which could be "handled" in them. Often this traffic is characterized by cyclical patterns of growth whose adverse manifestations might be offset by better linkage with that portion of the economy engaged in import and export transactions: assuming, of course, better synchronization of efforts with the other branches of transportation.

Firmer linkage based on interest in shared income and with elements of counterplanning between the seaports and that portion of the economy which is oriented toward them in its import and export transactions still remains at the level of mere initiative; there are unfortunately few examples whose correct and good solutions have been confirmed in practice. In spite of the large number of accords and compacts, specific transactions are by and large dealt with in ad hoc contracts rather than through advance correlation of requirements and capabilities. Then the rule seems to be that whenever there is an onset of a sizable amount of cargo, there are problems in organizing further transport, a shortage of railroad cars, and operations come to a standstill, there are ships waiting to be loaded and unloaded, and all of this results in a further rise of costs.

Performance Is Not Good Enough

Over the last 10 years port traffic has more than doubled. In 1980 alone 33.9 million tons were handled, which is 9.2 percent more than in the previous year. At the same time the influx of foreign exchange earned by rendering these services was $61.4 million, or 65 percent more than in 1979, and at the same time the outflow of foreign exchange was minimal. The optimism which follows from this observation is disturbed, however, by the fact that the volume of operations of all nine of our major seaports is equal to that of just one moderately developed European seaport. The conclusion that follows from this is that the potential of our Adriatic ports has by no means been utilized in the country's foreign trade and in handling transit traffic.

There are several reasons for this situation, among them the fact that in spite of intensive modernization their equipment is still lagging quite a bit behind their needs. This is in part a consequence of a lack of realism in establishing sources of financing for the infrastructural facilities of seaports, so that the rate of funding is limited in advance relative to capabilities. For instance, in 1980 investments in the structures and facilities of this activity were 23 percent less than in the previous year in nominal terms and about 50 percent less in real terms when inflation is taken into account. To be specific, the only investments of any significance were recorded in Kopar. Actually, seaport investment projects are largely financed by the work organizations from their own resources and with bank credit, which is frequently inadequate, and funds from other sources, including resources of the associated economy, constitute only 27 percent of the total. To all of this we should add the difficult conditions for importing equipment and spare parts, which usually create unforeseeable difficulties in carrying out investment projects.

Work organizations operating seaports were among the first to realize the need for faster inclusion in the system of integrated transportation, since this was one of the preconditions for foreign shipping companies to contract for their services. In recent years, then, they have invested considerable amounts in structures and equipment, especially to build container and ro-ro [roll-on/roll-off] terminals. Even in 1978 the ports of Rijeka, Kardeljevo and Bar achieved a traffic of 30,832 containers representing 226,834 tons of cargo, and the figures in 1980 were 54,565 containers representing 477,945 tons of cargo. A growth in the volume of this traffic has been envisaged in the forthcoming medium-term plan, but further modernization, which is an essential prerequisite of these plans, is in jeopardy because of the high level of indebtedness of work organizations in this activity.

Interests of Users

In 1980 international trade through the 10 largest Yugoslav seaports rose 12.7 percent, while domestic traffic dropped about 6 percent. Imports are still dominant in the breakdown of total seaport traffic with a share of 55.6 percent, followed by transit, whose share is 17.7 percent, domestic traffic with a share of 16.4 percent, and imports with a share of 10.3 percent. Actually, only Sibenik has recorded a substantial growth of total traffic, while it has remained at the same level or declined in the other ports. Rijeka continues to be the port with our heaviest traffic, though last year its share was 44.8 percent of the total, which is less than 2 years ago, when it was 53.2 percent.

The most important partner in transit traffic through our seaports is Austria, with 2.2 million tons of cargo, and then Czechoslovakia with 1.96 million tons and Hungary with 905,000 tons, while other countries total about 840,000 tons. In 1980, it is true, Austria's transit traffic dropped about 5 percent and that of Hungary about 12 percent, while that of Czechoslovakia increased 6 percent.

Certainly the volume of transit traffic through our Adriatic ports does not depend solely on their own performance and level of equipment unless this process is accompanied by construction of facilities and organization of other branches

of transportation, above all the railroads. But in discussing this task and the operation of the seaports in general, the problems that arise most frequently are the slow inclusion of our transportation system in international flows of cargo and the disconnectedness of the branches of transportation and participants in the transportation process, and then the poor linkage with the economy in the area oriented toward the seaports, and the low productivity of labor, which makes it difficult to market services in the increasingly keen international competition.

In the interest of overcoming the many objective difficulties and also subjective shortcomings in operation of the seaports, the opinion is being expressed with increasing frequency that there is a need for closer socioeconomic linkage with the users of services. That ought to give rise to authentic solutions based on realistic planning, firmer mutual agreements, division of labor and more intensive utilization of capacity.

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CROATIAN AID TO UNDERDEVELOPED REGIONS

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[Article by Jasen Grubic: "Joint Programs--Contribution to Integration of Associated Labor"]

[Text] On the basis of the interest of OUR's [organization of associated labor] in SR [Socialist Republic] Croatia in resolving problems of the supply of energy and raw materials on principles of verified development commitments of associated labor in the three economically underdeveloped republics and the Province of Kosovo and in building manufacturing plants on the basis of equal division of labor and with the same position accorded all phases in the cycle of reproduction with respect to the earning of income, in the activity to date of the PKH [Economic Chamber of Croatia] and its Social Council for coordinating the efforts of pooling labor and capital in those federal units, some 80 initiatives were recorded at the beginning of this year in varying stages of preparation for self-management linkage of economic entities. Soon thereafter it was judged that more than half of the intended investment projects (about 50 of them) were realistically acceptable as joint development projects with the underdeveloped and that associated labor in SR Croatia was prepared in the immediate future to set them forth in investment programs and to begin carrying them out.

The reference is to projects which would for certain fill gaps in production, the goal being to round out cycles of reproduction and complete connections, whereby certain production would be transferred to the undeveloped regions (because of the lack of manpower and other conditions) and to adopt new products attractive to the domestic and especially the foreign market, to open up manufacturing plants based on sources of certain raw minerals, and so on.

And while in direct contacts with OUR's in SR Croatia and through those responsible for conducting the policy of a complex organized approach in each underdeveloped region, but also in collaboration with general associations and regional economic chambers, work has been done in the competent standing committee of the PKH to define in more detail the intentions which have been accepted in conformity with the broader Yugoslav concept of socioeconomic development and the policy of stabilization--specifically, "platforms" have been drafted for talks with delegations of the economic chambers of the various republics and the Province of Kosovo--in the activities of certain republic administrative agencies, the IVS [executive council of the assembly] and the economic chamber

criteria and forms have been set forth for use of that portion of the resources of the compulsory loan which OUR's can pool with organizations from the undeveloped regions to finance joint development programs on the basis of shared income and common interests (the republic law). Now we are still waiting for definitive adjustment of the specific agreement which is to set forth the conditions and schedule for pooling a portion of the resources of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Province of Kosovo and for adoption of the Agreement on Special Measures To Implement the Policy of Fastest Development of SAP [Socialist Autonomous Province] Kosovo in the current medium-term planning period.

All of this and the outline model of the SAS [self-management accord] on pooling the labor and capital of OUR's on the basis of shared income and common interest, which has been jointly prepared by the economic chambers in the country and by the Fund, will create the conditions necessary for conclusion of the specific accords among OUR's which are to precede implementation of each verified investment program in the competent agencies of the three republics and Province of Kosovo.

Kosovo: Half of the Mandatory Loan Committed

Ten or so investment projects which were part of the platform have already been negotiated with the delegation of the Economic Chamber of Kosovo and fit into the sociopolitical commitments in the medium-term plans of SR Croatia and of that province (that document is undergoing "final revision" in Kosovo). Since this involves a pooling of labor and capital on the basis of shared income and involves 50 percent of the money obligations to the Federal Fund, we can justifiably expect that prospects will be opened more fully to closer linkage of the OUR's of the two economies in the interdependent flows of Yugoslavia's overall social reproduction and especially to eliminating the consequences of the exclusiveness and structural disproportions which the Kosovo economy has shown up to now (the transition is now being made in the province from heavy industry and the fuel and power industry to construction of manufacturing plants in which the cost per job is not to exceed between 1.5 and 2 million dinars, and to that extent the creation of jobs is joining income as an important investment criterion).

Since full agreement has so far been reached on some 10 of the 20 projects offered and correlated in recent months with the partners in Kosovo, about half of the 8.2 million dinars have been committed of the initial resources of the mandatory credit assistance to the development of Kosovo which OUR's in SR Croatia can directly pool during the entire 5-year planning period. To be sure, it still remains to furnish the commercial and bank credits, including the available internal funds for reproduction of the organizations carrying out the capital investment project, as well as to conclude the specific SAS's. Only then will performance of these very attractive development programs be undertaken.

In short, the reference here is to a factory for making refrigeration systems and units for which Djuro Djakovic has prepared the preinvestment study, which calls for an investment of 450 million dinars. The partner is the Welded Pipe

Factory in Urosevac, where this joint project will also be located. The working design will be completed next April, which means that construction will begin at that time if all the sources of financing for this investment project has been furnished in the meantime.

It has been announced that mutual agreement has also been reached on the programs of TPK [steam boiler factory] of Zagreb and Jugoturbina of Karlovac, which means that more serious work needs to be undertaken with Metal of Prizren to erect a facility for repairing equipment in thermal electric power plants and for the production of boiler components (the investment project has not been quantified), and, along with a partner (Elektrokosovo), to build a plant for production of single-stage turbines, compressors and reducers in Pristina, Kosovska Mitrovica or Obilic (the investments are estimated at 410 million dinars). Especially since the first project could be carried out next year, and work on the second would begin during 1982.

Since the Zagreb organizations TOP, Munja, Chromos and Gorica, and the Sisak Steel Mill MK [metallurgical combine] and Dalmastroj of Split are interested in developing mines and promoting the processing of lead and zinc, since in that way they would obtain processing materials to meet their own needs, the two chambers will in the next few days be arranging further agreements with the Trepca RMHK [mining, metallurgical and chemical combine] of Kosovska Mitrovica. The project would be carried out in three phases, which would consist of geological explorations, production of litharge, and production of lead stabilizers. Total investments would amount to about 1.2 billion dinars, and the construction time of that facility would extend up to 1986.

Chromos' OOUR [basic organization of associated labor] "Paints and Varnishes" and Karbon of Zagreb are prepared to help Extra of Vucitrn in carrying out an investment program for paints and varnishes, and it has therefore been suggested to the investor that he make a decision concerning a possible partnership with a third party, that is, that the 150 million dinars in funds which are lacking be obtained through a three-way pooling arrangement.

The program for production of cell batteries, which the work organization for postal, telegraph and telephone service in Kosovo would carry out in cooperation with Nikola Tesla of Zagreb (the value of the investment would be about 1 billion dinars, and construction would be possible even next year), has also received interchamber support. The same applies to the project for building a facility to quarry and process stone, which is to be built jointly by Feronikl of Pristina and Viadukt of Zagreb (about 200 million dinars are still needed to put the quarry in operation). There is also a need, the two delegations have concluded, to speed up practical realization of the investment project for a plant to produce semifinished products from gas concrete, which Porobeton of Pula and the Croatian machinebuilding industry are offering to the Sar Cement Plant in Djeneral Jankovic, involving joint investments of 560 million (which would employ all of 600 workers). This would be a demonstration project for export of plants of this kind to the developing countries, making it urgent that the work begin next year.

We should also mention construction of a plant for production of mosaic glass, which the Mosaic Glass Factory in Kosovska Mitrovica, which has been offered by Boris Kidric of Pula to the Mosaic Glass Factory in Kosovska Mitrovica (an investment of 400 million), and then INA-OKI's [Organic Chemical Industry, a subsidiary of INA, the Zagreb Petroleum Industry] plant for expanded polystyrene containers and sheet at Kosovoplast (Dj. Jankovic), Kras' offer to build a cake and cookie factory at Zitopromet (Pristina), Pocljooskrba's dairy at Erenik (Djakovica), a plant for recycling secondary raw materials of 3 Maj in Rijeka, which would be built in Kosovska Mitrovica, and Ghetaldus's readiness to enter into division of labor with the eyeglasses factory being built in Pristina.

The two delegations have also exchanged initial opinions on 57 investment programs in various economic sectors which SAP Kovoso has submitted to all the republics and SAP Vojvodina to be carried out on the principle of verified development interests of its own associated labor and with the support of federal planning agencies.

Bosnia-Hercegovina: The First SAS Has Been Concluded

Since OUR's in SR Croatia, especially those in the metal manufacturing industry, are "tied" to sources of raw materials and supplies in SR Bosnia-Hercegovina the programs offered from the platform for that program show an evident interest in committing the portion of the resources of the mandatory loan which organizations can pool in joint programs to the development of heavy industrial facilities, whose purpose is certainly the long-term supply of materials for production, coal in particular. But this does not mean that consideration was not also given to programs for development of facilities in the manufacturing industry, especially to those programs whereby a new production operation of common interest to the economies of the two republics would be mastered. To that extent there is a very decided view on the Croatian side that there must be no restrictions or narrow limits on pooling the portion of the funds of the mandatory loan. Especially since the set of programs offered to the Bosnia-Hercegovina delegation allows for broader integrational undertaking and then continuation of this process until cycles of reproduction are rounded out on the scale of Yugoslavia as a whole.

To be specific, up to this point an agreement has been reached on an investment program whereby the Sisak Steel Mill MK, together with certain other consumers, would pool 962.5 million dinars of funds of the mandatory loan to maintain the present level of output and to augment operation of the iron ore facility at Ljubija, so that needs in SR Croatia would also be met. The schedule of the investment would extend into 1983. Jugoturbina has an investment program ready for a factory to make multistage pumps and pump components in Drvar, with a total investment of 254.3 million dinars (147.6 million would be pooled), while Djuro Djakovic has a preinvestment study for a factory to make attachments for agricultural machines (cornpickers) in Bosanski Brod, of which the estimated cost is 634.3 million dinars (the pooled capital would be 444 million). Performance of these programs, the delegations say, could begin soon.

Elka has set down its intention to supply aluminum wire and cable to consumers in SR Croatia in a specific SAS which is the first of its kind. The reference is to 280 million dinars of pooled capital which will be invested to expand the capacity of EAL in Mostar. Borovo may before the year is out enter into construction of a factory to produce footwear uppers at a site in Odzak if 92 million are furnished from the base funds of the Federal Fund (the total investment project runs to 230 million), as well as a retread tire facility in Prijedor whose estimated cost is 285.3 million dinars (the share of the pooled funds would be 142.6 million). Other signed agreements, to continue, include the second phase of reconstruction of Sportnautika in Gradacac (70 million of pooled capital), and then construction of a plant for the production of fatty acids at Hemija in Modrica to meet the needs of Saponia (60 million), expansion of a facility for production of alpha and beta gypsum at a site in Donji Vakuf in which the investor would be Jugokeramika (160 million), Kras' elimination of bottlenecks in the production of cookies and crackers at Mira Cikota in Prijedor (100 million) and Agrocomerc' (V. Kladusa) program for production and processing turkey meat and finished products manufactured from that meat which the agricultural and food processing combine of Karlovac would enter into (135 million dinars of pooled capital).

A total of 2.6 billion dinars of funds of the mandatory loan, or almost half of the amount which OUR's in SR Croatia can pool with organizations from SR Bosnia-Hercegovina in joint programs during this 5-year period, would be committed to those 11 projects. But let us add that there are another 10 programs or so in the Croatian platform for which joint investments have not been defined and this also applies to 6 of the total of 18 projects simultaneously offered by the Bosnia-Hercegovina Economic Chamber, OUR's in SR Croatia are showing interest and indeed have already begun talks on possibilities of joint investments to carry them out as soon as possible.

Montenegro: The Necessity of Continuing Agreements

In this initial year the effort to pool the portion of the resources of the compulsory loan in joint programs with OUR's in SR Montenegro certainly will not altogether utilize the 404 million dinars available. That is why in the contacts between the delegations of the economic chambers of Croatia and that republic there has been support for an idea which came from SR Macedonia, i.e., that in 1981 an exception be made and funds in programs on which interrepublic agreement is reached by the end of the year and on which SAS's on the pooling of capital are concluded be regarded as committed funds even though actual performance of those programs will begin in 1982. In this case the funds which will be accumulated for pooling in this year would be sent not to the Federal Fund, but to the bank of the trading partner in the underdeveloped federal unit so that in that way they would be furnished for pooling in the coming year.

In the exchange of opinions concerning each project proposed by OUR's in SR Croatia it is evident that the Croatian economy is most interested in developing the production of quality steels at the Niksic Steel Mill and in production of aluminum in Titograd. This interest has been designated as the initial interest of the Croatian economy with respect to the Montenegrin economy, but it is accompanied by a great number of other additional development programs related to

the finishing of these manufacturing materials. Provided there proves to be acceptance on both sides of the pooling of the capital of Jugoturbina with the Boris Kidric Steel Mill (total investment of 150 million up to 1985) and with the aluminum combine (200 million). Jugoturbina has also been accepted to carry out the program of the bimetallic strip factory in Danilovgrad, in which it is preparing to pool 400 million dinars of its own during this 5-year period.

It has also been confirmed that there is joint interest in the program proposed by Djuro Djakovic. This is a plant for the production of equipment and machinery for timbering and forest management which could go under construction in 1982 at Bijelo Polje in collaboration with the local firm Radoje Dakic (no estimated cost has been put on the project). A favorable assessment has also been made of the interest being jointly expressed by Djuro Djakovic and Janko Gredelj in building or organizing a plant for overhauling and repairing railroad cars in the jurisdiction of the Titograd Railroad Transportation Organization--in Bijelo Polje or even Titograd. There has also been good reception for the desire of Josip Kras to establish more lasting business collaboration with the 13 Juli Agricultural Combine in Titograd for raising hazelnuts on a large scale and with Crnagoracoop of Danilovgrad toward joint construction of a plant for making confections (the pooled capital would amount to 100 million dinars).

Podravka's preparation of a number of programs, which will be ready for performance in 1982 and cover joint operations with the Sulfate Pulp and Paper Mill in Ivangrad, the Titograd Aluminum Combine, the 13 Juli Agricultural Combine, and others, with the purpose of obtaining materials and finished containers for its own products, but also products which it agrees to market (total investments about 500 million) has been received with particular attention. And that is equally true of the interest of the Kutjevo Agroindustrial Combine in developing grapegrowing in order to produce grape soda in Montenegro, that of the Belje Agroindustrial Combine in becoming involved in building mini projects for fattening baby beef for which it would provide the breeding stock, that of Cibona in participating in creation of tangerine orchards and olive groves in the area around Ulcinj, and so on.

All these projects need to be examined more fully, determinations have to be made as to the right partners, the value of the investment and a firm financing package, the sites, dates for commencement of construction, and so on, which means that the negotiations under way must be resumed soon and conducted thereafter on a continuous basis. One reason is that there is a possibility for cooperation in still fuller use of secondary raw materials (paper), in paper production (Belisce with 320 million), and then in tourism, shipbuilding, marine fishery, petroleum and gas exploration under the Adriatic Sea.... To this we should add that Adriagradnja of Rijeka and the OOUR "Housing Unit Factory" in Spuz, a subsidiary of the Titograd GRO [work organization in the construction industry], have recently concluded an SAS on joint investment in additional lines for production of components for industrial construction of housing units, industrial structures and facilities in the social service field, the assumption being that the 32.4 million dinars lacking in the share of the Croatian partner would be met from the portion of the funds of the mandatory loan paid in by organizations interested in that relationship. But the amounts of investment capital already

indicated would "take" 1.75 billion dinars of the total 1.92 billion envisaged for OUR's in SR Croatia to set aside in this 5-year period for pooling with organizations in SR Montenegro.

Macedonia: Investments and Development of Raw Materials Resources

With respect to SR Macedonia as well OUR's from SR Croatia have from the very beginning of activity looked to finding broader programs attractive from the standpoint of income, especially those which would develop manufacturing capacity and would organize new production operations suitable for export; and they have also expressed their readiness to invest in development of raw materials resources, which is an overall interest of the Croatian economy. The list of programs offered, then, embraces the sectors from ferrous and nonferrous metallurgy and the metal manufacturing industry, passing through the chemical industry, to agriculture, the food processing industry and tourism.

Agreement in principle has already been achieved by the two organizations on some 10 programs (involving investments of 3 billion up to 1985), and the business partners have been instructed to continue activity so that the portion of the funds which OUR's can pool in joint development programs on the basis of shared income in 1981 would be committed before the year is out.

Certainly the programs of Rade Koncar are of the greatest interest to the two republics. Numbering seven in all, five of them were accepted immediately. They concern investments in two OUR's of "Koncar's" work organization Aparatna tehnika (appliances) in Skopje: specifically, the production of switches and relays and the production of special devices, automatic machines and welding equipment. An investment would be made in the OOUR "Refrigerators" in Bitol to increase the production of refrigerators and freezers and then also to expand the capacity of the OOUR "Commercial Refrigerators" and the OOUR "Industrial Refrigeration Equipment." In addition, a OOUR for components of household appliances would be organized, nearly 1.4 billion dinars being set aside for these investment projects from the portion of the funds of the compulsory loan.

As for investment in the Skopje Steel Mill and the delivery of an appropriate product mix, an agreement has been reached to adopt the volume of 500,000 tons for this 5-year period, and should the needs of consumers in Croatia be greater, the capabilities of that steel mill would be reassessed in the context of the total Yugoslav demand for those products.

Jugoturbina's interest in pooling funds in the 18 Novembar MEGO of Gostivar to build a plant for producing steel strip and what are referred to as X girders for roof fabrications was judged to be low with respect to financial share (40 million), while the undefined joint investment of TOP, Munja and Chromos to expand the mining and smelting facilities of the mining, metallurgical and manufacturing combine in Skopje in order to guarantee certain amounts of lead and lead oxide was accepted, it being left to define the amount which would be pooled from the portion of the resources of the mandatory loan. The program of Chromos' OOUR "Kutrilin--Dispersion" for reconstruction and enlargement of the capacity for vinyl acetate monomer from calcium carbide at OHIS [Skopje Organic

Chemical Industry] in Skopje also received interchamber support, provision being made for studying the possibilities of increasing the consumption of electric power (Chromos would invest 40 million).

The programs offered in agriculture and the food manufacturing industry in which Podravka, Kras, Badel and corresponding partners from SR Macedonia are interested are to be concretized in the upcoming direct meetings between business executives, but Badel's initiative to build a wine center and grape processing facility at the Radovisko Pole Agroindustrial Combine in Radovis received immediate support (Badel would invest about 110 million). The same applies to construction of a hotel in Skopje (and later enlargement of the Metropol Hotel in Ohrid) in which Generalturist would have a share of 166.2 million dinars in the capital investment project of Interimpeks--Makedonija--Turist of Skopje.

Aside from those initiatives contained in the platform offered by SR Croatia, the Macedonian side has proposed the pooling of labor and capital in 13 programs, some of which--for example, FENI--Kavadarci (ferronickel and low-alloy steel based on nickel), the Boris Kidric Porcelain and Ceramic Factory in Titov Veles (household porcelain) and OHIS (acrylonitrile monomer and fibers made from that raw material), are said to be indubitably acceptable, and the interest which direct consumers in SR Croatia have in carrying them out is to be studied before talks resume toward conclusion of firm agreements.

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